

7. BUSINESS OVERVIEW (Cont'd)

7.3.1 Consultant services

Our medical centre focuses on gastrointestinal and liver diseases, and obesity. Gastroenterology is the study of the diseases of the gastrointestinal system including the oesophagus, stomach, small intestine, large intestine, rectum, pancreas, gallbladder, bile ducts and liver. Common gastrointestinal diseases include gastroesophageal reflux disease (GERD), functional dyspepsia, Helicobacter pylori infection, peptic ulcer disease, irritable bowel disease, gallbladder stones, colorectal cancer, oesophageal and gastric cancers, pancreatic cancers and morbid obesity. Hepatology is the study of the diseases of the liver. Common hepatology diseases include viral hepatitis B and C, fatty liver, liver cirrhosis and liver cancers.

Our medical centre offers a comprehensive and diverse range of care and treatment services for gastrointestinal and liver diseases, and obesity. Our services extend to include diagnosis and treatment of gastrointestinal oncology, urology and gynaecology related conditions. We also provide general cardiology assessment as part of our treatment of gastrointestinal and liver diseases, and obesity. Leveraging on our facilities and medical team, we offer the following medical services:

7.3.1.1 Gastrointestinal and hepatobiliary endoscopic services

Endoscopy is a medical procedure that is used to examine patient's gastrointestinal system. It involves the insertion of an endoscope; a long, thin, flexible tube with a camera and light attached at the end, into the patient's body commonly through the mouth or anus to diagnose and treat a patient's gastrointestinal diseases. Some of the endoscopy services we conduct are as follows:

Procedures	Description
Oesophagogastroduodenoscopy or upper gastrointestinal endoscopic (OGD)	An endoscope is inserted into the patient's mouth and advanced into the oesophagus, stomach and duodenum. It is used to diagnose and treat diseases of the upper gastrointestinal tract. Tools may be inserted through the endoscope to help doctors with tasks such as removing polyp or a growth, taking some samples for biopsy, treating bleeding ulcers, inserting stents for cancer related strictures and removing foreign bodies in the upper gastrointestinal tract.
Colonoscopy	A procedure that involves insertion of an endoscope into the rectum in order to diagnose and treat diseases in the large intestine (colon) and rectum. Colonoscopies are commonly conducted to check for polyps and to screen and diagnose colon cancer. Tools may be added to the endoscope to help the doctor remove polyps or retrieve tissue for biopsies and to insert stents for cancer related stricture.
Endoscopic retrograde cholangiopancreatography (ERCP)	ERCP is a procedure to diagnose and treat diseases in the bile ducts, and pancreas. The procedure combines the use of an endoscope and X-ray machine. The endoscope is inserted through the mouth into the duodenum and the doctor will then inject dye which will highlight the gallbladder, bile duct and pancreatic duct on the X-ray. ERCP allows the doctor to remove stones from the bile duct and insert stents for stricture.

7. BUSINESS OVERVIEW (Cont'd)

Procedures	Description
Endoscopic ultrasound (EUS)	EUS is a procedure that combines endoscopy and ultrasonography. An ultrasound probe is attached to the endoscope and inserted into the stomach and duodenum to study gallbladder, bile duct, pancreas, oesophageal and gastric lesions. It also allows the doctors to obtain tissues from the pancreas and to offer treatment to gallbladder, bile duct and pancreas.
Fibroscan	Also known as transient elastography, it is a specialised ultrasound scan that measures the stiffness of the liver. It can measure scarring of the liver as well as fatty change in the liver, or when fat builds up in the liver cells.
Urea breath test	A non-invasive diagnostic test that is used to diagnose Helicobacter pylori infection in the stomach.
Capsule endoscopy	This is a procedure that involves swallowing a capsule, which is the size of a large pill. Inside the capsule is a very small wireless camera that takes pictures as it passes through the gastrointestinal tract. The images taken are transmitted to a recording device worn on a belt around the patient's waist. The capsule is eventually passed out naturally after 8-72 hours.

7.3.1.2 Gastrointestinal and hepatopancreaticobiliary surgery

Our consultants perform surgery to treat diseases in gastrointestinal, hepatobiliary and pancreatic systems. Some of the surgeries we conduct are as follows:

Procedures	Description
Gastrectomy	A surgery to partially or fully remove the stomach and surrounding lymph nodes to treat gastric cancer.
Oesophagectomy	A surgery that involves partial or total removal of the oesophagus to remove oesophageal cancers.
Colorectal surgery	Surgeries of the colon and the rectum to treat and manage a range of benign and malignant conditions of the lower gastrointestinal tract. This includes anterior resection (including low and ultra-low anterior resection), right hemicolectomy, haemorrhoidectomy and anal fistula treatment.
Anterior resection	An operation to remove a lesion particularly cancer in the rectum, sigmoid colon or descending colon.
Right hemicolectomy	An operation to remove the right side of the colon mainly for cancer in the caecum and ascending colon.

7. BUSINESS OVERVIEW (Cont'd)

Procedures	Description
Laparoscopic surgery	A minimally invasive or keyhole surgery to remove organs from abdomen. Small incisions are made and the surgeon inserts a video camera and surgical tools through the incisions to observe and carry out the surgery.
Bariatric surgery	A surgery that makes changes to the digestive system to help the patient lose weight. Bariatric surgery is done when diet and exercise have not worked or when the patient has serious medical problems due to their weight. The surgeries limit the amount of food a patient can eat, reduce the body's ability to absorb nutrients, or both, the commonest bariatric surgery, laparoscopic sleeve gastrectomy and laparoscopic bypass surgery.
Pancreatic surgery	A surgery that removes the diseased part of the pancreas. Usually done to remove tumours of the pancreas.
Gallbladder surgery	A surgery to remove the gallbladder, usually associated with gallbladder stones. Doctors may do this laparoscopically.
Hepatic resection	A surgical removal of all or a portion of the liver. Usually conducted to remove cancers of the liver.

In addition, our consultants also perform general surgeries such as haemorrhoid or piles surgery, breast lump removal, appendectomy, hernia surgery, drainage of abscesses and insertion of chemo ports for chemotherapy.

7.3.1.3 Cardiology assessments

We currently offer cardiology assessments for patients seeking treatment for gastrointestinal and liver diseases, and obesity. The service is provided via our joint-venture company, Cardiac Care.

Cardiology is a medical speciality that deals with diseases and abnormalities of the heart. Under the working arrangement, the cardiologist will provide patients with general cardiac assessments (such as treadmill stress test and echocardiography). This is conducted as part of patient's assessment to determine if they are physically fit to undergo gastrointestinal and liver-related procedures.

7.3.1.4 Oncology services

Oncology is a specialty that specialises in the diagnosis and treatment of cancer. Our oncology services support our gastroenterology and hepatology services, where we diagnose and treat cancers such as stomach, colon, liver and pancreatic cancer via surgery.

7.3.1.5 Urology services

Urology is a specialty that deals with diseases of the urinary tract, which includes the kidneys, ureters, bladder, prostate and urethra. Our services include general diagnosis and treatment of urological diseases such as kidney, ureteral and urinary bladder stones, an overactive bladder, urological infections, urinary incontinence as well as sexual dysfunction in males, benign prostate enlargement and prostate cancer.

7. BUSINESS OVERVIEW (Cont'd)

Our urologists also work together with our team of surgeons when they carry out surgeries in the lower part of the body. The urinary tract is located in close proximity to gastrointestinal and liver organs, and as such, the gastrointestinal surgeon will occasionally require the assistance of a urologist for patients with cancer of the gastrointestinal system involving the kidney, urinary tract and bladder.

The following table summarises the procedures we provide under this segment:

Procedures	Description
Retrograde pyelography (RPG)	RPG is a form of x-ray that is used to get detailed pictures of the ureters and kidneys. A dye is injected into the ureters and highlights the ureters and kidneys on the x-ray. The procedure can be bilateral, meaning both left and right ureters and kidneys are examined, or unilateral, where it is only the left or right ureter and kidney being examined.
Ureteral stenting	A procedure where a ureteral stent is inserted into the ureter to treat or prevent a blockage of the ureter. Blockages prevent the flow of urine from the kidney down the ureter to the bladder. Common blockages are caused by kidney stones.
Ureteroscopy	A procedure to treat kidney stones where an ureteroscope (an endoscope specially used for the ureters) is passed through the urethra, bladder, ureter and kidney to locate the kidney stone. If the stone is small, it can be removed immediately using tools on the ureteroscope.
Ureteroscopy with lithotripsy	A procedure to treat larger kidney stones. A ureteroscope is passed through the urethra, bladder, ureter and kidney until the stone is located. Lithotripsy is a procedure that uses laser to break the large kidney stone into smaller pieces so it can be removed via the ureteroscope or passed through the kidney naturally after the procedure.
Rigid cystoscopy	A procedure that uses a rigid fibre-optic telescope, or commonly known as a cystoscope, to check for any problems with the urethra and bladder. If any small growth or stone is found, it may be possible to remove it through the cystoscope as well.
Retrograde intrarenal surgery	A procedure for conducting endoscopic surgery to reach the kidneys from the ureter. This procedure is performed to remove kidney stones without making any incisions on the kidney. An endoscope is passed through the urethra, bladder, and ureter to reach the kidney where the doctor can then examine the inside of the kidney. The procedure can be bilateral where both kidneys are examined and undergo surgery, or unilateral where either the left or right kidney is examined and undergoes surgery.

7. BUSINESS OVERVIEW (Cont'd)

7.3.1.6 Gynaecology services

Our gynaecology services are required when the diagnosis of a female patient's symptoms are not gastrointestinal related but gynaecological in origin. Common gynaecological conditions are ovarian cysts or uterine fibroids, ovarian tumour, endometriosis and uterine prolapse.

7.3.2 Medical management services

Our medical management services support our consultant services with facilities available at our medical centre in order to provide care and comprehensive medical treatments for our patients. This includes our operating theatres which are fully equipped to perform procedures ranging from keyhole surgery to open surgery, a radiology department equipped with diagnostic scans, clinical laboratory where pathology tests are carried out on clinical specimens and a 24-hour blood testing service, a pharmacy department which prepares and dispenses medication and a 24-hour accident and emergency department and inpatient ward. Our medical management services are supported by our nursing services and clinical support services.

7.3.2.1 Nursing services

Our nurses support our consultants by providing care to our patients when they are admitted to our medical centre and assisting our consultants during various medical procedures. Our nurses are also responsible to ensure that our operating theatres are equipped with the appropriate equipment and supplies, and to assist the consultants during surgical procedures. As our medical centre is a specialised centre, our nurses possess post basic certificate in operating theatre and endoscopy. In addition, the volume of cases at our medical centre provides our nurses with a platform to be specialised in performing their job. They also play an imperative role in providing surgical patients with care before, during, and after their surgery. For endoscopic treatment, our nurses are involved in providing pre and post procedure care to our patients undergoing endoscopic procedures and provide support to our consultants during the endoscopic procedure.

In addition, our nurses are also responsible for operating the central sterile supply department, which carries out decontamination activities (such as sterilisation of medical devices, equipment and consumables). Our medical officers and nurses are also involved in our accident and emergency department, where they are often the first point of contact to provide medical attention to these patients. They also assess and record patients' symptoms and vitals, observe patients' conditions, administer medication and update medical records. They also assist in educating patients about at-home care after discharge and are a vital part of our medical centre's services.

Under the Nurses Act 1985 and the Nurses Regulation 1985, a person must be registered with the Malaysia Nursing Board (MNB) and possess a valid annual practising certificate issued by MNB in order to practice nursing. As at the LPD, all our nurses hold and maintain valid annual practicing certificates.

7.3.2.2 Clinical support services

Our clinical support services complement and support our consultants in diagnosing and treating gastrointestinal and liver diseases, and obesity.

Pharmacy

We operate an in-house 24-hour pharmacy service that prepares and dispenses pharmaceutical products to patients who are undergoing treatment in our centre. Patients are able to consult our pharmacist if they have any queries on the pharmaceutical products prescribed. The pharmacy will work with our consultants and medical officers in providing drug information or advice when required.

7. BUSINESS OVERVIEW (Cont'd)**Medical records**

We maintain patients' electronic medical records through our Hospital Information System. A medical record documents information about the health of our patients. These records contain our patients' personal information, the consultants' clinical notes, discussion between our patients and our consultants regarding amongst others, their disease and its management, laboratory reports, drug prescriptions, radiology reports, endoscopy and operation reports and nursing notes.

Dietetics

Our dietitian is available to provide advice and guidance for our patients who are malnourished, undergoing major surgery or needing special diet because of their various gastrointestinal diseases. Patients that undergo major selected surgeries (such as bariatric surgery) may be required to change their diet after surgery and our dietitian is able to help them develop nutrition plans and special diets to ensure optimum recovery.

Physiotherapy

Physiotherapy is used to help restore movement and function after a patient is affected by injury, illness, or disability. This is done through physical methods such as movement and exercise, manual therapy, massage, or manipulation. Our physiotherapist helps our patients recover from surgeries by amongst others, mobilising them and helping them with chest physiotherapy to prevent and treat chest infection.

Laboratory testing

Our in-house laboratory is able to provide comprehensive diagnostic laboratory services using clinical tests to obtain relevant medical information regarding our patient's health or to confirm diagnosis of a patient's illness. We are also able to carry out anatomical pathology to examine the physical appearance and the microscopic structure of tissue from biopsies collected from a patient and carry out clinical pathology to analyse a patient's blood and bodily fluids. Our in-house laboratory is fully outsourced to Gribbles Pathology (Malaysia) Sdn Bhd, whose staff operate out of our medical centre. In respect of certain cases of anatomical pathology, tissues taken from patients are sent to RSD Hospitals Sdn Bhd which provides histopathology services.

Special diagnostics

We provide special diagnostics which forms part of our cardiology assessment and is performed to evaluate how a patient's heart respond to external stress in a controlled environment. It is conducted via treadmill stress test where a patient is required to walk briskly or run on a treadmill while the patient's heart rate and blood pressure are monitored to assess its condition. The test is often performed together with echocardiogram, an ultrasound procedure which takes images of the patient's heart to assess the structure and condition of the patient's heart.

Radiology

Radiology is a branch of medicine that uses imaging technology to diagnose and treat diseases. It can be divided into two areas namely diagnostic radiology and interventional radiology. Diagnostic radiology involves the use of imaging technology such as X-rays, computed tomography (CT), ultrasound, and fluoroscopy to diagnose a disease or condition while interventional radiology uses imaging technology such as CT scan, ultrasonography and fluoroscopy to guide procedures for treating a disease or condition. Our medical centre is equipped with a CT scan, ultrasound, and fluoroscopy machinery to assist our consultants to perform procedures such as radio frequency ablation, microwave treatment, percutaneous drainage of abscesses, percutaneous transhepatic biliary drainage, and image-guided biopsies.

7. BUSINESS OVERVIEW (Cont'd)

7.4 MODE OF OPERATIONS

As at the LPD, our medical centre is supported by six (6) employee consultants, five (5) resident consultants, 17 visiting consultants and four (4) medical officers. All of our consultants are licensed by the Malaysian Medical Council and are registered specialists under the National Specialist Register. All consultants in private practice charge fees according to Schedule 13 of the Private Healthcare Facilities and Services (Private Hospitals and Other Private Healthcare Facilities) Regulations 2006. In private healthcare practice, there are 11 sessions in a week (i.e. two (2) sessions per full day).

Employee consultants

Employee consultants are employees of our Group who are required to devote their time, attention and skills to the performance of his/her duties for the business and interest of our Group. We may allow our employee consultants to provide medical treatment to patients at other medical centres provided that such treatments are essential and favourable to the Group and subject to quarterly review by our Audit Committee and approval from our Board. Please refer to **Section 11.1.3** of the Prospectus for further details on the said arrangement with our employee consultants.

As at the LPD, the six (6) employee consultants, namely Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee, Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ong Siew Kuen, Dr Ramesh A/L K Gurunathan and Dr Mustafa Mohammed Taher are paid a fixed monthly salary and a performance-based bonus ("**Remuneration**"). In addition, all the income earned by these employee consultants in other medical centres are assigned to our Group and they will be paid 80% of the said income earned by them. The overall compensation package of the employee consultants comprises this amount and their Remuneration.

Resident consultants

Consultants who spend six (6) sessions or more per week in our medical centre are classified as resident consultants and our medical centre serves as their principal place of practice. Each session comprises four (4) clinical hours. All our resident consultants are given the right to practice in our medical centre via either a service agreement or practicing agreement for a duration of five (5) years as contracted consultants on a non-exclusive basis within their area of specialisation. We have the option to extend the service agreements with our resident consultants for a further period of two (2) years.

As the resident consultants are not our employees and are contracted on a non-exclusive basis, they are still able to practice and provide their services at other medical centres outside our medical centre. Our resident consultants do not draw a monthly salary and their earnings are based on their consultation and treatment fees.

Our resident consultants specialising in anaesthesia and radiology who spend substantially all their working time at our medical centre are engaged through a service agreement, pursuant to which they contribute to our Group 10% of the consultation and treatment fees earned by them at our medical centre as well as in other medical centres. All our other resident consultants are engaged through a practicing agreement and they do not contribute any fee to our Group.

Visiting consultants

Visiting consultants are consultants contracted to provide services at our medical centre and who spend less than six (6) sessions per week in our medical centre. Save for Dr Hendrick Chia Miah Yang who practices in our medical centre through our 30%-joint venture, Cardiac Care, whereby he holds 70% equity interest, all our other visiting consultants are given the right to practice in our medical centre via practicing agreements as contracted consultants on non-exclusive basis within their area of specialisation.

7. BUSINESS OVERVIEW (Cont'd)

Under the shareholders' agreement entered into between Dr Hendrick Chia Miah Yang and our Group in relation to the joint venture through Cardiac Care, Dr Hendrick Chia Miah Yang treats patients at our medical centre and provide cardiology assessment. Please refer to **Section 6.4** of this Prospectus for further information on our arrangement with Dr Hendrick Chia Miah Yang in relation to Cardiac Care.

Compared to resident consultants, visiting consultants have their principal place of practice at other medical centres. They do not draw monthly salary and their earnings are based on the fees received by providing consultation and treatment to our patients at our medical centre.

Our visiting consultant specialising in internal medicine who joined our Group when our Group commenced operations in October 2017 contribute to our Group 20% of the consultation and treatment fees earned by him at our medical centre. All our other visiting consultants do not contribute any fee to our Group.

7.5 BUSINESS PROCESS

Our process according to non-emergency and emergency cases are as follows:

Non-emergency

Our outpatient registration for consultation process is as follows:

Registration	For our first-time patients, they are required to register their personal information to enable us to create a new medical record number. For our returning patients, their personal information will be extracted from the hospital information system for our registration purpose.
Pre-consultation assessment	Once registered, they will be directed to the consultant's clinic and pre-consultation assessment such as body weight and blood pressure will be conducted.
Consultation	This is followed by consultation with the consultant where our patients are assessed based on their medical conditions. The consultant will then formulate a treatment plan. Depending on the patient's condition, the treatment plan may entail prescription of medication and/ or diagnostic tests, after which the result will be reviewed before the next course of treatment can be determined.
Treatment	Following the consultation, the consultant will treat the patients according to the required treatment plan. If the patient's treatment plan only entails prescription of medication, he can proceed to the pharmacy. If the patient requires further treatment following his diagnostic tests, the consultant will then provide the necessary treatment.
Follow-up arrangement and payment	After the procedures and consultation are completed, the patient will arrange future appointments for the follow-up checks or treatments (where applicable).
Medicine dispensing	Our patients will collect their medicine from our pharmacy section where our pharmacists will dispense the necessary medication based on our consultants' prescription.

7. BUSINESS OVERVIEW (Cont'd)

Our inpatient registration for admission process is as follows:

Admission registration	For our first-time patients, they are required to register their personal information to enable us to create a new medical record number and arrange for admission.
Ward admission	Our nurses will assist our patients for ward admission while our administration staff will assist for the arrangement on the payment of deposit or liaise with the insurance companies or third-party administrator to obtain guarantee letter.
Investigation, treatment or surgery	Our consultants will attend to our patients and perform a series of investigation to identify and treat the patient's condition. This will also include post-treatment or post-surgery check-up for our inpatients followed by the prescription of medicine for our patient's treatment.
Discharge	Our consultant will assess the condition of the patient and if the patient is fit for discharge, our consultant will recommend or certify for the patient to be discharged.
Follow-up	Should the patient require follow-up check-up or treatment, our nurses will arrange for follow-up visits with their assigned consultant.

Emergency

Registration	For emergency cases, patients are required to register at our 24-hour accident and emergency department by providing the required details such as personal and medical information.
Assessment	Our medical officer will assess the patient's conditions and determine the initial cause of the illness or injury.
Examination and treatment	<p>The medical officer will examine the condition of the patient by conducting some tests. Based on the results, the medical officer will determine if the patient is required to be admitted as part of the treatment. Only patients with gastrointestinal and liver diseases will be admitted to the centre. If the patient is not required to be admitted, the medical officer will prescribe the required medication and if patients with non-gastrointestinal and liver diseases need to be admitted they will be referred to other medical centres.</p> <p>If the patient is required to be admitted, the medical officer will notify the relevant consultant on duty who will determine further treatment.</p>

7.6 PRINCIPAL MARKETS, DISTRIBUTION AND MARKETING

7.6.1 Principal markets

Our Group's principal market is in Malaysia. The majority of our patients are local patients, contributing 96.8% of our revenue for the FYE 2021 while the remaining 3.2% are contributed by foreign patients. In FYE 2020, our local patients and foreign patients contributed 95.1% and 4.9% to our revenue respectively. In FYE 2019, our local patients and foreign patients contributed 97.4% and 2.6% to our revenue respectively. In FYE 2018, our local patients contributed 98.2% to our revenue while our foreign patients contributed 1.8%.

7. BUSINESS OVERVIEW (Cont'd)

7.6.2 Sales and marketing strategies

Marketing advertisements in the medical industry in Malaysia is regulated by the Medicine Advertisements Board of the Pharmaceutical Services Division under the MOH. The following highlights several of the marketing strategies that we have implemented in the past:

Health campaigns / Talks

We have organised and participated in a number of health campaigns and talks aimed at increasing public awareness on various health related topics, ranging from gastrointestinal related topic such as gut health and colorectal cancer to general health and wellness topics. The table below highlights selected health campaigns and talks that we have organised and/or participated in the past:

<u>Year</u>	<u>Events</u>
Organised by our medical centre	
2019	<ul style="list-style-type: none"> Your Gut and Bowel Health
2020	<ul style="list-style-type: none"> A health talk on "Obesity and How to Solve This" A health talk on "Fatty Liver"
Participated by our medical centre	
2017	<ul style="list-style-type: none"> Blood donation campaign organised by Connexion Conference and Event Centre and Lions Club International at Connexion Conference and Event Centre
2019	<ul style="list-style-type: none"> Hari Sihat at Lembaga Hasil Dalam Negeri, Putrajaya where we provide free screening and consultation Health Day with Touch N Go Sdn Bhd event where one of our consultants gave a talk on "Early Detection of Colorectal Cancer" Employee Health Day at Weir Mineral Malaysia Sdn Bhd where we provide consultation and free screening in digestive and liver health Provided health talk at Skylink Pacific Solutions Sdn Bhd for its staff Jom Sihat event at UMW Toyota Sdn Bhd where we provided consultation and health screening in digestive and liver health to their staff
2021	<ul style="list-style-type: none"> We Care - Health Awareness Campaign at Nexus, Bangsar South where we provided medical check-up for blood pressure, glucose test and BMI screening

7. BUSINESS OVERVIEW (Cont'd)**Public forums**

We have participated and organised a number of public forums participated by medical professionals and the general public, to provide a platform to raise the profile of gastrointestinal related issues as well as profile of our Group. The table below highlights the public forums that we have organised in the past:

Year	Events
2018	<ul style="list-style-type: none"> General Practitioner Symposium - Colorectal Cancer Screening, What's New in Colorectal Cancer Management, Gastric Cancer in Malaysia, Balancing Heart & Gut Risks of Non-steroidal anti-inflammatory drugs (NSAIDs) and Antiplatelet, Pain in the Butt
2019	<ul style="list-style-type: none"> Colon Cancer - A Silent Killer in Our Midst General Practitioner Symposium - Hepatitis B, Colorectal Cancer, GERD, proton pump inhibitors ("PPI") Safety and 21st Century Innovation in Colorectal Cancer Surgery General Practitioner Symposium - A Healthy Liver, A Healthy Life Secret Agent Talk Topic: Your Gut and Bower Health, Investigations and Treatments
2021	<ul style="list-style-type: none"> General Practitioner Symposium - Obesity and Bariatric Surgery in Malaysia, Irritable Bowel Syndrome: Top FAQs, Gastric Cancer in Malaysia: An Update, Therapeutic Advances in GERD: Medical, Endoscopic and Surgical Treatment, How Safe is PPI in Long Term? and Colorectal Cancer Screening - Who to screen?

Advertisement

We engage various marketing channels to reach the targeted customers when promoting our services. We have placed advertisement such as billboards and banners at selected locations such as light rail transit stations and highways in Klang Valley. We also maintain a corporate website at <https://www.cengild.com/> to provide updates and available services to our patients and/or our potential patients.

Corporate panel network

We are part of the corporate panel for several insurance companies and third-party administrators. This corporate panel allows us to serve individual and corporate healthcare covered patients with the cashless facilities. One of the third-party administrators that we partnered with in 2019, also serves the Indonesian market, which allowed us overseas exposure.

Referrals

Leveraging on our specialties and reputation, we have also gained new patients via word of mouth from past and existing patients. In addition, third party general practitioners also refer their patients to us for diagnosis and treatment.

7. BUSINESS OVERVIEW (Cont'd)

7.7 TECHNOLOGY USED

As at the LPD, we have purchased a number of medical devices and equipment for our medical procedures and processes. Please refer to **Section 6.9.4** for the list of material medical devices and equipment used in our operations.

In order to ensure that our medical devices and equipment operate efficiently, we undertake planned preventative maintenance (PPM) on these assets. PPM involves scheduled maintenance activities such as lubrication, calibration, cleaning, and replacing worn parts or parts with a finite lifespan. This helps to extend the lifespan of our medical devices and equipment as well as prevent any failures. PPM is usually carried out based on intervals suggested by the medical devices and equipment vendors for optimal efficiency of such assets.

PPM is carried out by an in-house team of technicians as well as external technicians from our medical device and equipment vendors depending on the device or equipment. If any medical device or equipment breaks down, ad-hoc repair works will be carried out by our in-house team or an external team of technicians. All PPM or ad-hoc repair works undertaken must be documented with details such as the date of service and spare parts required. Aside from documenting the maintenance and repair works, we will also document the instances of breakdown to be reported to our vendor.

7.8 RESEARCH AND DEVELOPMENT

We are a healthcare services provider and as such, we are not involved in any research and development activities.

7.9 QUALITY CONTROL PROCEDURES AND MANAGEMENT

We acknowledge the importance of maintaining a sound system of quality control with good practice to ensure our patients' safety and well-being are guarded as well as to safeguard our shareholders' investment and assets.

Policies and procedures are developed by process owners and heads of department to reflect the consistency, effectiveness and efficiency of the departments' daily tasks. Process owners and heads of department are responsible to keep their document up to date to reflect changing demands and expectations. Amendments may be identified on ad-hoc basis following feedback or review.

Policies and procedures must be approved by the Chief Executive Officer with the exception of policies and procedures related to clinical matters, which must be approved by Medical Director together with Chief Executive Officer. Our staff are able to access to all the policies and procedures that are stored in a shared drive. Policy and procedure documents shall be reviewed at least once every 3 years.

In addition, we strive to comply with all relevant legislation, codes of professional ethics and accepted standards with regards to patients' rights to privacy and have personal disclosures and medical information handled with strict confidentiality as underpinned by legal and professional standards. Over the course of our operations, we collect personal data and/or sensitive personal data from patients. Data collected are used for directly related purpose and we shall ensure that the data collected is relevant and adequate for the purpose it was originally collected for. Collected data are stored securely in paper or electronic formats that may be used by our medical centre, or disclosed to external organisations to enable appropriate health services to be provided to the patient.

7. BUSINESS OVERVIEW (Cont'd)

7.9.1 Quality policy

We are committed to providing quality treatment and care for our patients. The safety of our patients is our top priority and we adopt an effective, consistent and appropriate SOP to all incident reports. The goal of incident reporting and management is to minimise the likelihood of reoccurrence and hence create a safe system for our patients, staff and visitors.

Any member of our staff who is involved in, witnesses or discovers an adverse incident/ accident or near miss incident/ accident shall report the incident by completing incident report form. Information from incident reports are reviewed and analysed by the respective person in charge and department head to determine the possible cause and corrective actions required to prevent or minimise the risk of recurrence.

As at the LPD, our Group has not encountered any adverse incident/accident or near miss incident/accident in the past.

7.9.2 Health and safety and environment management policies

We have designed and implemented a Hospital Environmental Policy for our medical centre to control its clinical waste. Under the Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 2005, every waste generator shall ensure that the generated waste is properly stored, treated on-site, recovered on-site, or delivered to and received at prescribed premises for treatment, disposal or recovery of material.

Improper knowledge on scheduled waste handling can transmit a lot of diseases. Our contracted waste handler is registered with the Department of Environment and they abide by all the regulations related to clinical waste.

Hospital infection control

Infection prevention and control are important in maintaining a safe environment for our patients and healthcare workers. It is important to reduce the risk of spread of diseases from one person to another. Addressing infection prevention and control is a priority at our medical centre and infection control governance play an integral role in patient healthcare.

Infection control is handled by our Quality Control and Clinical Support department, who are responsible for the classification of diseases and is professionally accountable to our Medical Director. The primary duties are to govern the infection control with the prevention and control of infection in our medical centre. This is achieved through the implementation of infection control policies and procedure, and by educating medical and non-medical personnel.

7.9.3 Grievance policy

We believe that all our patients are entitled to quality medical care. We have put in place a grievance policy to establish a standard approach for our patients to raise complaints and for our medical centre to address such complaints. Our patients are able to raise complaints in several ways, namely verbally in person or over the phone, or in writing to our customer service department. A complaint may be raised by our patient or a person acting on behalf of the patient.

When a patient complaint is received, our customer service staff will record details of the complaint along with relevant information such as the complainant's name, address, medical record number, and the nature of their complaint. The information is then logged and our staff will furnish an acknowledgement letter with the complaint within two (2) working days.

The complaints received are then assessed and assigned to the relevant individual or department where it is investigated. The relevant individual or department will have seven (7) working days to provide feedback.

7. BUSINESS OVERVIEW (Cont'd)

After receiving the feedback from the relevant individual or department, our customer service team will investigate the feedback. Using any evidence available, the team will then make recommendations for actions to be taken regarding the complaint. The team will then respond to the complainant within seven (7) working days upon the completion of the investigation and actions taken. If the complainant is satisfied with the investigation and actions taken, the solution is recorded in the complainant's records and the case can be closed. If the complainant is not satisfied with the investigation and actions taken, the complainant may file their complaint with the Director of Health, MOH within 14 days.

7.10 COMPETITIVE STRENGTHS AND ADVANTAGES

We believe our success and potential for future growth are attributable to the competitive strengths set out below:

7.10.1 An independent healthcare provider specialising in gastrointestinal and liver diseases, and obesity

Our unique value proposition lies in our position as the only independent full-fledged medical centre in Malaysia specialising in gastrointestinal and liver diseases, and obesity. Our medical centre is equipped with operating theatre, inpatient ward, accident and emergency department, radiology room and laboratory which are similar to the facilities and services offered by other multidisciplinary hospitals except that we specialise in gastrointestinal and liver diseases, and obesity. Our concept is similar to that of Institut Jantung Negara which is a hospital that specialises in cardiovascular and thoracic medicine. We provide tertiary care for a diverse range of gastrointestinal and liver diseases comparable to major hospitals in Malaysia. This is similar to Institut Jantung Negara's model where advanced and complex procedures can be performed at our medical centre. As a result of the reputation of our consultants, we receive patient referrals from some of the major hospitals for expertise not available in those hospitals. This helps to build our reputation among the general public as the first choice medical centre specialising in gastrointestinal and liver diseases, and obesity and consequently helps to instil a sense of brand loyalty amongst our patients.

As an independent medical centre, we are a standalone medical centre and not part of a chain or group of hospitals such as the IHH Healthcare Berhad group, KPJ Healthcare Berhad group or the Columbia Asia Sdn Bhd group.

There are no medical centres in Malaysia specialising in gastroenterology and liver diseases, and obesity similar to our medical centre. However, there are other medical centres in Malaysia providing specialisation in other single disciplines. Examples of established single discipline medical centres are Optimax Holdings Berhad (a company listed on the ACE Market of Bursa Securities), ISEC Healthcare Ltd (a company listed on Catalist of Singapore Exchange Securities Trading Limited), Tun Hussein Onn Eye Hospital which are eye specialist centres, Institut Jantung Negara which is a cardiovascular and thoracic specialist centre, Cardiac Vascular Sentral Kuala Lumpur which is a cardiac and vascular hospital, and Kuala Lumpur Sports Medicine Centre which is a sports medicine and orthopaedics focused medical centre.

While we face competition from multidisciplinary hospitals, the advantages of being an independent healthcare provider specialising in gastrointestinal and liver diseases, and obesity are as follows:

- Specialisation within a single discipline enables our medical centre to be cost effective. Based on the IMR Report, multidisciplinary hospitals tend to have higher costs as they need to invest in a wider range of medical devices and equipment and provide more resources to cater to a wide variety of disciplines. Although these multidisciplinary hospitals may have an overall higher number of patients visiting various specialties, the number of patients visiting the gastroenterology and hepatology centres at the multidisciplinary hospitals may not necessarily be higher than the number of patients visiting our medical centre for gastrointestinal and liver diseases. Large volume of gastrointestinal and liver-

7. BUSINESS OVERVIEW (Cont'd)

related procedures performed at our medical centre and our focus on gastrointestinal and liver diseases, and obesity allow us to achieve better efficiencies and economies of scale. Our patients benefit as we are able to pass on this lower cost to them;

- Specialisation in a single discipline allows us to provide in depth and more targeted diagnostic services and treatment, and to undertake complex procedures and surgeries related to gastroenterology and liver diseases, and obesity;
- Our primary focus on gastrointestinal and liver diseases, and obesity coupled with our consultants' vast knowledge, skills and experience in the field encourages clinics, and other hospitals to refer patients with such diseases to our medical centre;
- A patient that comes to a single discipline medical centre is assured of full resources and time, as opposed to competing for resources with other patients in a multidiscipline hospital. Operating theatres, for example, in a multidiscipline hospital are shared by multiple disciplines and available timing is needed to book the time slot for surgeries; and
- Our support staff team of nurses and clinical support staff enables us to provide tailored care to our patients as they are more familiar with various gastrointestinal and liver diseases, and obesity. We are able to offer more effective and better quality of care for our patients from documentation to discharge as our support staff are focused on our specialisation.

However, if a patient has multiple different medical conditions or symptoms and needs to receive medical treatment other than urology, oncology, cardiology, and gynaecology services that we provide to support our core specialisation, he or she may be required to go to other medical centres to seek the relevant treatment. For example, a patient who develops kidney failure before or in the course of gastrointestinal treatment would need to be treated by a nephrologist and/or to undergo dialysis in a dialysis centre. As we do not offer nephrology services, the patient would need to visit other medical centres to seek the relevant treatment.

While we also face competition from gastroenterology ambulatory clinics in relation to outpatient care services, ambulatory care centres can only provide outpatient care for patients for a period of not more than 23 hours and who do not require an overnight stay. Generally, gastroenterology ambulatory clinics are equipped with outpatient clinic, endoscopy room, and day care beds for the recovery area and do not have operating theatre and inpatient ward, which are necessary for complex endoscopic procedures and surgeries. As a full-fledged medical centre, we are able to provide care for patients requiring overnight hospital stay.

During the Period Under Review, we derived a majority of our revenue from inpatient care services as shown below:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Inpatient [^]	8,263	83.2	22,518	86.0	32,998	87.8	56,389	90.5	18,327	90.2
Outpatient	1,675	16.8	3,660	14.0	4,586	12.2	5,946	9.5	1,997	9.8
Total (excluding others segment*)	9,938	100.0	26,178	100.0	37,584	100.0	62,335	100.0	20,324	100.0

Notes:

- * Comprising contribution by certain resident consultants (namely, our current six (6) employee consultants who were resident consultants prior to 1 September 2021 and one (1) visiting consultant who was a resident consultant during FYE 2018) whereby 20% of the consultation and treatment fees earned by them in other medical centres is contributed to our Group as administrative fee.

- [^] Including procedures that only require day care treatment.

7. BUSINESS OVERVIEW (Cont'd)

Although we are a single disciplinary medical centre, given that there are a growing number of patients diagnosed with gastrointestinal and liver diseases, and obesity in Malaysia which require medical treatment, we believe that our specialisation does not restrict our medical centre from having partnerships with a wider range of insurance companies and third party administrators as we are currently in partnership with 19 insurance companies and third party administrators.

According to IMR Report, the sedentary lifestyles of people today, coupled with lack of regular exercise, unhealthy diet, smoking and excessive consumption of alcohol have resulted in increasing prevalence of non-communicable diseases such as diabetes, hypertension (high blood pressure) and high blood cholesterol. Between 2011 and 2019, the prevalence of diabetes among those above 18 years old has increased from 11.2% to 18.3%. In 2019, 30% of the population aged 18 and above are having hypertension. Furthermore, the prevalence of obesity has increased from 15.1% in 2011 to 19.7% in 2019. This trend of obesity indicates a future increase in non-communicable diseases such as diabetes, hypertension, and high blood cholesterol, as well as gastrointestinal and liver diseases which would translate to growing number of patients diagnosed with gastrointestinal and liver diseases.

7.10.2 Reputable and experienced team of consultants supported by nursing staff and clinical support staff

Our team of reputable and experienced consultants attracts patients to the medical centre. The high standard of care provided to our patients has led to more patient referrals, thus increasing our ability to attract new patients. In addition, the reputation of our team of consultants is likely to draw other talented consultants to our medical centre for the opportunity to learn from and work with our experienced consultants and doctors. Our medical centre provides a platform for our team of consultants to focus and develop in their specialised fields, leveraging on our facilities and administrative and operational support.

Besides that, we provide attractive remuneration packages and benefits in order to attract and retain our nurses, clinical support staff and medical officers. The remuneration packages and benefits include, amongst others, medical bill discount for staff and their family members who seek treatment at our medical centre, allowances and study leave. We also provide opportunities for our consultants, clinical support staff, and medical officers to attend training programmes or seminars which enable them to keep abreast of the latest developments or to learn new skills relating to their fields. The training programmes provided to the consultants and medical officers such as continuing medical education consist of educational activities which serve to maintain, develop, or increase their knowledge and skills. The training programmes provided to nurses and clinical support staff such as continuing nursing education consist of educational activities directed towards meeting the learning needs of the nurses to develop their knowledge and skills. This enables them to continue with their medical education and continuing professional development. We believe that by attracting and retaining top talents in the healthcare services industry, we are able to attract more patients and provide them with a better standard of medical services.

We believe that our success and growth are attributed to the efforts of our consultant-led management team namely:

- (i) Dato' Dr Tan Huck Joo, Executive Chairman and Medical Director, has accumulated approximately 27 years of experience in the medical field;
- (ii) Emeritus Professor Dato' Dr Goh Khean Lee, Executive Director, Head of the Medical Advisory Board and Head of Department, Endoscopy, has accumulated approximately 41 years of experience in the medical field;
- (iii) Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Executive Director and Head of Department, Operating Theatre and Central Sterile Supply Department, has accumulated approximately 34 years of experience in the medical field;

7. BUSINESS OVERVIEW (Cont'd)

- (iv) Dr Ong Siew Kuen, Head of Department, Medicine, has accumulated approximately 29 years of experience in the medical field;
- (v) Dr Ramesh A/L K Gurunathan, Head of Department, Inpatient, has accumulated approximately 28 years of experience in the medical field; and
- (vi) Dr Mustafa Mohammed Taher, Head of Department, Outpatient, has accumulated approximately 21 years of experience in the medical field,

who are supported by Yap Soh Kim, our Chief Executive Officer, who has accumulated approximately 20 years of experience in the management of medical centres including Subang Jaya Medical Centre and Sunway Medical Centre, and Cheah Wen Lih, our Senior Finance Manager, who has accumulated approximately 28 years in the accounting and finance industry.

During the Period Under Review, we received patient referrals from the following:

	Number of Patients				
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2021
Referred by clinics / general practitioners	*	396	279	312	80
Referred by public and private hospitals	*	133	82	102	55
Referred by insurance agents	*	9	37	30	5
Referred by friends and family	*	1,006	1,746	2,435	731
Total	*	1,544[#]	2,144	2,879	871
Our total number of new patients	*	4,198	4,693	6,258	2,015
Referral rate (% of our total number of new patients)	*	36.8%	45.7%	46.0%	43.2%

Notes:

* The information is not available as our Group only commenced operation in October 2017.

The information for the FYE 2019 only covers the last 10 months of the FYE 2019 as we only started collecting the data in September 2018.

We believe that our performance is sustainable as evident by the increasing revenue in the last few years. Our revenue in FYE 2018, FYE 2019, FYE 2020, and FYE 2021 was RM11.7 million, RM28.2 million, RM39.2 million, and RM63.47 million respectively. The number of patients who have visited our medical centre has also increased from 5,011 in FYE 2018 to 13,204 in FYE 2019, 16,446 in FYE 2020 and 24,210 in FYE 2021. In this regard, we believe the recruitment of more prominent and established consultants in the future will strengthen our market position.

In addition, we believe that the knowledge, skills and experience of our key senior management team, consultants, doctors and other healthcare professionals will enable us to provide a high quality of care to our patients while also ensuring continued growth and success of our medical centre.

7. BUSINESS OVERVIEW (Cont'd)

7.10.3 Modern equipment and facilities

As part of our efforts to provide comprehensive and integrated services, we have invested in modern medical equipment and facilities at our medical centre that includes three (3) endoscopy rooms and two (2) operating theatres. Our operating theatres are fully equipped to perform procedures ranging from keyhole surgery to open surgery. Other facilities include a radiology department which is equipped with facilities such as CT scanner, ultrasonography, fluoroscopy and angiography equipment to assist our consultants to carry out all the relevant procedures for our patients. There is also an in-house laboratory that allows analyses of blood and urine samples. For further information on our key medical devices and equipment, please refer to **Section 7.7** of this Prospectus.

7.10.4 We are on a wide range of insurance and corporate panels

We have partnered with various insurance companies and third party administrators. By partnering with them, insurance-covered patients are able to receive treatment at our medical centre via cashless facility in the form of guarantee letters from the insurance companies and third-party administrators. This enables us to provide treatment to a wider group of patients with insurance coverage from insurance companies directly and through third party administrators in Malaysia. We also work with a third party administrator which serves the Indonesian market, offering patients from Indonesia to seek medical treatment in Malaysia. As we are on the corporate panel for insurance companies and third party administrators, this enables us to expand our services beyond individual patients to employees of corporations who have corporate healthcare insurance.

7.10.5 We are able to provide complementary healthcare services that support our core specialty

While our medical centre primarily specialises in gastrointestinal and liver diseases, and obesity, we also able to provide other complementary healthcare services such as urology, oncology, cardiology, and gynaecology. In addition, we also offer comprehensive on-site laboratory services, 24-hour accident and emergency service, health screening, physiotherapy, dietetic and inpatient services.

We believe that by having consultants specialising in other disciplines such as urology, oncology, cardiology, and gynaecology that support our core specialisation, we are able to provide more comprehensive treatments to patients and will continue attracting more patients in the future.

The urology, oncology, cardiology, and gynaecology services are provided mainly to support our core specialisation in gastrointestinal and liver diseases, and obesity:

- (a) gastrointestinal surgeons would occasionally require the assistance of urologists for patients with gastrointestinal cancers that also involve urinary tract, which is located in close proximity to gastrointestinal and liver organs.
- (b) patients with gastrointestinal cancers would undergo endoscopic procedures and be diagnosed by the gastroenterologists, and subsequently undergo surgical removal of the cancer (gastric cancer, colon cancer, liver and pancreatic cancer) by the gastrointestinal surgeons.
- (c) general cardiology assessments are provided for patients seeking treatment for gastrointestinal and liver diseases, and obesity to determine if they are fit to undergo gastrointestinal and liver related procedures.
- (d) gynaecology services are required when the diagnosis of a female patient's symptoms are not gastrointestinal related but gynaecological in origin.

7. BUSINESS OVERVIEW (Cont'd)

7.11 FUTURE PLANS AND STRATEGIES

Our overall business strategy is to continue with our core business specialising in the diagnosis and treatment of gastrointestinal and liver diseases, and obesity and expand our business operations. We intend to grow our business through a two-prong expansion approach by expanding our current medical centre as well as expand our presence to other major cities in Malaysia. We will also strengthen our medical team via recruitment of consultants.

From FYE 2018 to FYE 2021, our revenue grew from RM11.68 million to RM63.47 million, representing a CAGR of 75.81%. The growth is attributed to increase in revenue in both our consultant services and medical management services. We expect demands for healthcare services will continue to increase with a growing population, increase in household income and changes in lifestyle.

Based on the IMR Report, Malaysia's population is estimated at 32.7 million in 2021 and it is projected to grow at a CAGR of 1.2% to reach 41.5 million in 2040. In 2021, the elderly population (aged 65 and above) accounted for 7.4% of the total population. The figure is expected to increase to 14.5% of the total population in 2040. As the elderly population are more vulnerable to maintaining standards of healthy living and more susceptible to age-related diseases, they are more likely to require medical care as they age.

The incidence of non-communicable diseases (such as diabetes, hypertension and high-blood cholesterol) and obesity has also increased in the country as a result of sedentary lifestyles, coupled with lack of exercise and unhealthy diet. Obesity is also one of the factors that would increase the risk of a person developing gastrointestinal diseases and disorders. According to the IMR Report, the prevalence of obesity in Malaysia is at 15.1% for adults in 2011 and increased to 19.7% for adults in 2019.

In view of the above, the following details our future plans and strategies:

7.11.1 Expansion of existing medical centre

Our medical centre located at Nexus @ Bangsar South, Kuala Lumpur is well positioned to serve the Selangor, Kuala Lumpur and Putrajaya population that stand at 6.5 million, 1.7 million and 110 thousand people in 2020. Based on the IMR Report, the elderly population, those aged 65 and above, is estimated to constitute 5.8%, 8.0% and 2.1% of the population in Selangor, Kuala Lumpur and Putrajaya respectively in 2021 compared to 4.6%, 6.2%, and 1.1% in 2016. These states have a growing mean monthly household income as depicted in the table by state in 2016 and 2020:

States	2016 (RM)	2020 (RM)	CAGR (%)
Selangor	9,463	9,668	0.54
Kuala Lumpur	11,692	11,728	0.08
Putrajaya	11,555	12,322	1.62

The growing mean monthly household income is in line with a growing middle and high income class population. According to the IMR Report, a wealthier population aspires for better living conditions and thus, augurs well for the healthcare industry where it provides an opportunity for private healthcare service providers to align their services to target the segment of the population.

With the growing middle and high income class population as well as the elderly population Selangor, Kuala Lumpur and Putrajaya, the demand for healthcare services is expected to increase. Taking into consideration the historical growth of our revenue which grew at a CAGR of 75.81% from RM11.68 million in FYE 2018 to RM63.47 million in FYE 2021, we intend to expand our existing medical centre in Kuala Lumpur to meet the current and future demand for diagnosis and treatment of gastrointestinal and liver diseases, and obesity.

7. BUSINESS OVERVIEW (Cont'd)

We intend to allocate RM13.00 million or approximately 18.00% of the proceeds to expand and renovate our existing medical centre within 36 months upon Listing. The plan will involve the expansion of our existing medical centre at Nexus @ Bangsar South, Kuala Lumpur, by leasing approximately 12,000 to 15,000 sq ft to cater to current and future demand for our medical services, especially endoscopic procedures to strengthen our position in the segment.

It will also include renovations to convert the space into various sections and purposes which include three (3) endoscopy rooms, registration and payment counter, recovery area, two (2) counselling rooms, an inpatient ward, nurse counter, waiting and patient preparation area. In addition, we also intend to purchase necessary medical furniture, devices and equipment as part of our expansion which include 20 units of inpatient beds, 15 units of day care beds for the recovery area, endoscopic ultrasound device and endoscopic video imaging system, as well as electrical, computing equipment, and furniture.

Please refer to **Section 4.7** of this Prospectus for further information.

7.11.2 Geographical expansion of our services

We currently operate from a single location in Kuala Lumpur. We intend to expand our presence by establishing two (2) new full-fledged medical centres specialising in gastrointestinal and liver diseases, and obesity in other major cities in Malaysia such as Johor Bahru, Penang or Ipoh. This allows us to grow our core business specialising in the diagnosis and treatment of gastrointestinal and liver diseases, and obesity.

According to the IMR Report, the prevalence of obesity was at 19.7% for adults in 2019 compared to 15.1% for adults in 2011. In 2019, 50.1% of adults were overweight compared to 30% in 2015. The trend of obesity is alarming as it is an indicator of future increases in incidence of non-communicable diseases such as diabetes, hypertension and high blood cholesterol. Obesity is also one of the factors that would increase the risk of a person developing gastrointestinal and liver diseases and its increasing prevalence likely leads to growing number of patients diagnosed with gastrointestinal and liver diseases.

Based on the IMR Report, these states have a total population of approximately 8.1 million (Johor (3.8 million), Penang (1.8 million) and Perak (2.5 million)) in 2020 and are located in various regions of the Peninsular Malaysia. The elderly population for those aged 65 and above in Johor, Penang and Perak is estimated to constitute 7.8%, 9.4% and 11.4% of their population respectively in 2021 compared to 6.5%, 7.8% and 9.6% in 2016. The table below highlights the mean monthly household income of these states in 2016 and 2020:

States	2016 (RM)	2020 (RM)	CAGR (%)
Johor	6,928	7,264	1.19
Penang	6,771	6,850	0.29
Perak	5,065	5,081	0.08

With the increased mean monthly household income and the growing elderly population in these states, the demand for healthcare services in these states is expected to increase. As such, we intend to identify suitable locations in these major cities, to establish two (2) new full-fledged medical centres. This geographical expansion into two (2) major cities in Malaysia will help to strengthen our market position.

7. BUSINESS OVERVIEW (Cont'd)

We have earmarked RM37.10 million or approximately 51.38% of the proceeds to establish two (2) new full-fledged medical centres in other major cities in Malaysia within 36 months upon Listing. These two (2) new full-fledged medical centres will each have two (2) endoscopy rooms, inpatient ward, an accident and emergency department, pharmacy dispensary and reception, five (5) outpatient clinics, radiology room, one (1) operating theatre and CSSU, registration and payment counter, recovery area, nurse counter, and waiting and patient preparation area. In line with the facilities, we intend to purchase the necessary medical furniture, devices and equipment at each proposed medical centre, which include 18 beds (inclusive of 10 inpatient beds and eight (8) day care beds), endoscopic ultrasound device and endoscopic video imaging system, as well office equipment, electrical and computing equipment and furniture to facilitate the provision of our medical services.

The location of the two (2) proposed new full-fledged medical centres will be determined based on several criteria, which include but are not limited to population size and demographics of the area. We plan to rent or lease premises of approximately 15,000 to 18,000 sq ft.

However, if the opportunity arises, we may acquire existing practices and/or clinics or establish strategic partnerships, or joint ventures with practices and/or clinics which are already operating in the selected locations. The choice of expanding via partnerships or acquisitions is to ensure a fast and effective market penetration given that the local companies which are operating practices and/or clinics are likely to have already established an existing presence and network in the selected location. Such expansion will add value to our existing business and bring greater economies of scale and growth in the future. Currently, we have not identified any acquisition targets, strategic partnerships or joint ventures.

Please refer to **Section 4.7** of this Prospectus for further information.

7.11.3 Expansion of our medical team

In order to support the expansion of our existing medical centre as well as into other major cities in Malaysia, we intend to strengthen our medical team by attracting and recruiting consultants and surgeons in the areas of gastroenterology and hepatology. These consultants and surgeons will be based either at our existing medical centre or at our two (2) new full-fledged medical centres to be established in selected major cities as part of our expansion plan. The full-fledged medical centres provide facilities for both inpatient and outpatient care and will be equipped with operating theatre, inpatient ward and accident and emergency department in addition to services such as outpatient clinics, radiology room, endoscopy rooms, and day care beds for the recovery areas.

We intend to allocate RM12.00 million or approximately 16.62% of the proceeds to recruit 10 new consultants and surgeons and provide them with guaranteed minimum income up to a period of 24 months, while they establish their patient base with our existing medical centre and two (2) new full-fledge medical centres in the major cities in Malaysia.

In addition, we will also recruit new staff which include nursing staff (which include nurse managers, registered nurses) as well as clinical support and administrative staff (such as clinic assistants, radiographer, CSSU technicians and executives to support the IT, human resources, finance and business office) to support the expansion of our existing medical centre as well as the setting up of two (2) proposed new full-fledge medical centres. We intend to allocate RM3.77 million or 5.21% of the proceeds for this purpose.

We expect to utilise the funds allocated for recruiting consultants and surgeons as well as nursing and administrative staff within 24 months upon Listing.

Please refer to **Section 4.7** of this Prospectus for further information.

7.12 SEASONALITY OF THE BUSINESS

Our operations and sales are not subject to any material seasonality.

7. BUSINESS OVERVIEW (Cont'd)

7.13 IMPACT OF THE COVID-19 PANDEMIC

On 16 March 2020, the Malaysian Government announced a MCO which took effect from 18 March 2020 for a period of two (2) weeks. It was subsequently extended for four (4) more weeks. A conditional MCO (“**CMCO**”) was then imposed from 4 May 2020 until 9 June 2020 followed by recovery MCO (“**RMCO**”) which took effect from 10 June 2020 until 31 December 2020. During the end of 2020, the number of COVID-19 cases increased and on 11 January 2021, the Malaysian Government announced a second MCO to be implemented in six (6) states, namely Penang, Selangor, Melaka, Johor, Sabah and the Federal Territories of Kuala Lumpur, Putrajaya and Labuan until 4 March 2021, when we reverted back to CMCO. The country was placed under a third MCO effective 12 May 2021 due to rising COVID-19 infections.

During the various MCO period, all government and private premises were required to temporarily suspend their operations, except for essential services, which included the healthcare and medical sectors. As a provider of private healthcare services, we were allowed to continue our operations throughout the various stages of the MCO period in 2020 and 2021. The restrictions were gradually relaxed as the country went into CMCO in May 2020 and RMCO in June 2020, with more businesses allowed to operate under strict adherence to standard operating procedures and further easing of regulations such as interstate travel and recreational activities. However, certain restrictions were re-instated during the second and third MCO in 2021, which include restricting interstate travels.

Following the steep increase in COVID-19 cases in 2021, the Malaysian Government implemented the National Recovery Plan (“**NRP**”), a four (4)-phase strategy based on three (3) indicators namely, (i) number of symptomatic new hospital admissions, (ii) capability of public healthcare system based on the bed utilisation rate in intensive care unit wards, and (iii) percentage of the population protected against COVID-19. Phase 1 of the NRP commenced with full nationwide lockdown from 1 June 2021 onwards, where movement restrictions were implemented and all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. As at the LPD, Selangor and Kuala Lumpur are under Phase 4 of the NRP. As a private healthcare services provider, we were allowed to continue our operations during the various phases of MCO and NRP.

Impact to our business operations

While we were allowed to operate, we saw fewer patients and experienced a significant decline in numbers of medical procedures performed during the first MCO period due to deferment of medical procedures by patients. After the first MCO was lifted and Malaysia transitioned into the CMCO followed by RMCO, we saw an increase in the number of patients and procedures performed during May 2020 and June 2020 as a result of pent-up demand from patients who delayed their medical procedures. We continued to see the number of patients at pre-MCO levels through the rest of the year 2020.

Details of the decline in our patient volume and the number of endoscopic procedures and surgeries performed in March 2020 and April 2020 are as set out below:

	March 2020 vs average for January and February 2020	April 2020 vs March 2020
Patient volume	↓ 18.5%	↓ 34.0%
Endoscopic procedures performed	↓ 25.7%	↓ 41.7%
Surgeries performed	↑ 13.9%*	↓ 51.2%

Note:

- * The number of surgeries performed during the month of March 2020 increased notwithstanding the first MCO mainly due to appointments for the surgeries made before the commencement of the first MCO on 18 March 2020.

7. BUSINESS OVERVIEW (Cont'd)

Despite a decrease in number of patients and procedures during the first MCO period, we did not experience a negative impact on our financial results and net cash from operating activities in FYE 2020 due to COVID-19.

In response to the increasing COVID-19 infection rate, certain states in Malaysia, including Selangor and Kuala Lumpur were placed under the second MCO (i.e. from 11 January 2021 to 4 March 2021) and the country was placed under the third MCO starting from 12 May 2021, followed by a full nationwide lockdown from 1 June 2021 onwards. Through the various stages of MCO and NRP during this period and up to the LPD, we did not see a significant reduction in our patient volume and medical procedures performed (save for 7.0% decline in patient volume, 21.7% decline in the number of endoscopic procedures and 3.2% decline in the number of surgeries in the quarter ended September 2021 compared with the quarter ended June 2021) as set out below:

Quarter ended	Average monthly number of patients	% quarter-on-quarter change	Average monthly number of endoscopic procedures	% quarter-on-quarter change	Average monthly number of surgeries	% quarter-on-quarter change
September 2020	1,969		725		107	
December 2020	2,005	1.8	608	(16.2)	122	14.0
March 2021	1,975	(1.5)	575	(5.4)	129	5.7
June 2021	2,121	7.4	617	7.4	126	(2.3)
September 2021	1,973	(7.0)	483	(21.7)	122	(3.2)
December 2021	2,358	19.5	681	41.0	137	12.3
Month / Year	2021	2022	2021	2022	2021	2022
January	1,976	2,097	491	500	120	115
% change compared with January 2021		6.1		1.8		(4.2)
February*	1,532	1,794	429	452	106	100
% change compared with February 2021		17.1		5.4		(5.7)
% change compared with the immediate preceding month	(22.5)	(14.4)	(12.6)	(9.6)	(11.7)	(13.0)

Note:

* Lower monthly patient volume in February compared to January was mainly due to shorter month and Chinese New Year festive period.

The decrease in the number of endoscopic procedures during the quarter ended September 2021 coincided with the sharp rise in COVID-19 infection rate in the months of July and August 2021. Some of the patients may have deferred their endoscopic procedures that do not involve medical emergency during this period. As the daily number of COVID-19 cases in Malaysia began to drop in September 2021 amidst higher vaccination rate, the number of endoscopic procedures performed at our medical centre rebounded in the quarter ended December 2021 to an average monthly volume higher than that of the quarter ended June 2021. Despite the surge of COVID-19 cases in February 2022, we did not see a significant reduction in our patient volume and the number of medical procedures performed in February 2022 compared to the preceding corresponding month of February 2021. We saw a decrease in the number of patients and the number of medical procedures performed at our medical centre in February 2022 compared to January 2022 mainly due to shorter month and Chinese New Year festive period rather than the rise in COVID-19 cases in February 2022 with the ongoing Omicron wave. For comparison purpose, in 2021, we saw a similar drop in the number of patients and the number of medical procedures performed at our medical centre in the month of February, which also coincided with the Chinese New Year festive period.

7. BUSINESS OVERVIEW (Cont'd)

The continued closure of Malaysia's borders has resulted in the decrease in foreign patients seeking treatment at our medical centre. Despite the decrease in foreign patients, we have recorded an increase in total number of patients due to an increase in local patients. There were 16,214 local patients that received medical care in our medical centre during FYE 2020. In the FYE 2021, there were 23,965 local patients that received medical care in our medical centre, representing a 47.80% increase in local patients compared to the FYE 2020. The total number of patients that received medical care in our medical centre increased from 16,446 patients in FYE 2020 to 24,210 patients in FYE 2021.

Measures and precautions to continue our operations

We had implemented a number of measures in our business operations to safeguard and protect our patients, employees, consultants and medical officers in order to continue our operation during the MCO period. The measures and precautions include:

- Temperature screening of each person entering our medical centre. Persons visiting our medical centre are also required to answer questionnaires regarding their health status and travel background;
- Encouraging our patients to schedule their appointments beforehand via our website, telephone or email;
- Limiting the number of non-patients to our medical centre at any given time based on MOH guidelines; and
- Sanitising our medical centre daily.

As at the LPD, we have not recorded any cases of patients/employees who have contracted Covid-19 from our medical centre. In the event of positive cases at our medical centre, we have put in place the standard operating procedures for the management of COVID-19 where all COVID-19 confirmed cases or close contacts related to patients/employees are investigated and analysed using appropriate risk assessment in accordance to MOH guidelines. The measures and precautions include:

- Adopted the pre-admission screening guidelines which cover the pre-admission screening of patients and compulsory screening of companions;
- Visitor restriction policy are implemented hospital wide;
- Employees who are exposed to COVID-19 positive persons are required to immediately perform COVID-19 test with self-test kit. Employees who test positive are required to notify their respective head of departments and upload their COVID-19 test result via the MySejahtera application and to undergo quarantine of between 7 days (for employees who are fully vaccinated and have taken booster dose) and 10 days (for employees who are not fully vaccinated) from the first day of the test result. For employees who test negative, further COVID-19 test will be conducted if they exhibit symptoms. If the employee tests positive during the second test, he or she is required to continue self-quarantine according to the prescribed period. Employees who test negative but are symptomatic during the second test are required to undertake a polymerase chain reaction ("**PCR**") test. They will be allowed to return to work if they test negative, and while employees who test positive would have to self-quarantine according to prescribed period. Employees who test negative and are asymptomatic during the second test will be allowed to return to work and are required to continue to conduct COVID-19 test for 5 to 7 days depending on vaccination status;
- If a patient is a confirmed case for COVID-19, appropriate arrangement using close contact identification, risk assessment, pre-planned discharge route, compulsory cleaning and sanitising, will be implemented immediately;
- Sanitising the endoscopy room after every procedure; and
- Disinfecting our medical centre twice a day and sanitising our medical centre once a week.

7. BUSINESS OVERVIEW (Cont'd)

To implement new standard operating procedures, which include purchases of personal protection equipment (e.g. face masks, gloves and isolation gowns) and more stringent practices of sanitising and sterilising our devices and facilities, we have during the FYE 2021 and 4-month FPE 31 October 2021 incurred a total cost of RM0.03 million and RM 0.01 million respectively, which is not material to our Group. As at the LPD, we have complied with all laws and standard operating procedures relating to COVID-19 restrictions.

Impact on our supply chain

As a provider of healthcare services, our business falls within essential services and we are able to continue our operations during the various MCO periods. Since the first MCO in March 2020, we did not experience material disruption, shortage or delay in our supply chain as our suppliers are also able to continue their operations during the various phases of MCO. The supply shortage due to the COVID-19 pandemic resulted in higher cost for certain personal protective equipment such as face masks and gloves. We were able to secure the required supply for protective equipment needed whereby we performed an advance stock forecast over a three (3) to six (6) months period. The supplies are then acquired from our suppliers via blanket purchase orders, where the supplies are delivered in stages over a period of time.

Going forward, we also do not foresee any disruption, shortage or delay in the supply of materials, products and equipment required for our operations due to the COVID-19 outbreak.

Impact to employees

As our business falls within essential services and we were able to continue our operations throughout the various MCO periods, we did not implement any salary reduction schemes, reduce our headcount or amend the employment terms of our employees and consultants. In addition, we also applied and received wage subsidy of RM0.15 million for FYE 2021 under the Wage Subsidy Programme by the SOCSO.

7.14 BUSINESS INTERRUPTIONS

Save as disclosed in **Section 7.13** of this Prospectus, we have not experienced any interruptions that had a significant effect on our operations during the past 12 months preceding the LPD.

7.15 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES AND CONSUMABLES

The following are the types of supplies and consumables that we purchased for our operations over the Period Under Review:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Pharmaceutical products	1,363	51.97	2,634	49.57	3,088	39.37	4,321	31.03	1,429	29.90
Consumable items	648	24.70	834	15.70	1,080	13.77	1,777	12.76	676	14.14
Consignment cost	331	12.62	1,130	21.27	2,762	35.21	6,182	44.39	2,112	44.18
Laboratory cost	281	10.71	715	13.46	914	11.65	1,647	11.82	563	11.78
Total	2,623	100.00	5,313	100.00	7,844	100.00	13,927	100.00	4,780	100.00

The main input materials required for our operations are consumable supplies which consist of pharmaceutical products, medical consumables as well as consignment items such as surgical instruments, all of which are sourced from local suppliers. The purchases of these materials accounted for 89.29%, 86.54%, 88.35%, 88.18% and 88.22% of our total purchases of the above supplies and consumables over the Period Under Review. These materials are not globally traded commodities and hence we are not subjected to volatility of prices.

7. BUSINESS OVERVIEW (Cont'd)

Our in-house laboratory services is outsourced to Gribbles Pathology (Malaysia) Sdn Bhd, being a private provider of diagnostic laboratory services which handles the analysis and diagnosis of our patient samples. We are not dependent on Gribbles Pathology (Malaysia) Sdn Bhd as we are able to seek alternative provider of this service in Malaysia. In respect of certain cases of anatomical pathology, tissues taken from patients are sent to RSD Hospitals Sdn Bhd which provides histopathology services. In addition, we purchase blood products such as red cells and fresh frozen plasma from Pusat Darah Negara. These laboratory costs accounted for 10.71%, 13.46%, 11.65%, 11.82% and 11.78% of our total purchases of the above supplies and consumables over the Period Under Review.

7.16 MAJOR CUSTOMERS

Due to the nature of our business, our customers mainly comprise of individuals patients and corporate clients and thus, we are not dependent on any single individual patient or corporate clients. We provide healthcare services to employees of certain companies. These companies are our corporate clients.

7.17 MAJOR SUPPLIERS

Our suppliers consist of private laboratory diagnostic company, manufacturers and distributors of pharmaceutical products and medical supplies and consumables. Over the Period Under Review, all of our top five (5) suppliers are based in Malaysia. Our top five (5) suppliers for the Period under Review are as follows:

Major Suppliers	Type of products and services	Purchase value		Length of relationship
		RM'000	%	years
<u>FYE 2018</u>				
Zuellig Pharma Sdn Bhd	Pharmacy and consumable items	546	19.10	4
DKSH Malaysia Sdn Bhd	Pharmacy and consumable items	399	13.95	4
UMMI Surgical Sdn Bhd	Medical equipment, consignment on consumables and instruments	334	11.67	4
Gribbles Pathology (Malaysia) Sdn Bhd	Laboratory services	145	5.06	4
Endosurgery Sdn Bhd	Consumable items, medical equipment and endoscope items	88	3.07	4
Total		<u>1,512</u>	<u>52.85</u>	
<u>FYE 2019</u>				
Zuellig Pharma Sdn Bhd	Pharmacy and consumable items	1,598	26.59	4
DKSH Malaysia Sdn Bhd	Pharmacy and consumable items	1,488	24.75	4
Gribbles Pathology (Malaysia) Sdn Bhd	Laboratory services	532	8.85	4
Endosurgery Sdn Bhd	Consumable items medical equipment	192	3.20	4
UMMI Surgical Sdn Bhd	Medical equipment, consignment on consumables and instruments	159	2.64	4
Total		<u>3,969</u>	<u>66.03</u>	

7. BUSINESS OVERVIEW (Cont'd)

Major Suppliers	Type of products and services	Purchase value		Length of relationship
		RM'000	%	years
<u>FYE 2020</u>				
Zuellig Pharma Sdn Bhd	Pharmacy and consumable items	2,528	30.89	4
DKSH Malaysia Sdn Bhd	Pharmacy and consumable items	1,620	19.79	4
Gribbles Pathology (Malaysia) Sdn Bhd	Laboratory services	627	7.66	4
DCH Auriga (Malaysia) Sdn Bhd	Pharmacy items	293	3.58	4
Olympus (Malaysia) Sdn Bhd	Consumable items, medical equipment and endoscope items	257	3.14	4
Total		<u>5,325</u>	<u>65.06</u>	
<u>FYE 2021</u>				
DKSH Malaysia Sdn Bhd	Pharmacy and consumable items	4,227	30.09	4
Zuellig Pharma Sdn Bhd	Pharmacy and consumable items	3,612	25.71	4
Gribbles Pathology (Malaysia) Sdn Bhd	Laboratory services	1,311	9.34	4
KODE Solutions	Consumable items	563	4.01	3
RSD Hospitals Sdn Bhd	Histopathology for tissue specimens and biopsies	408	2.90	3
Total		<u>10,121</u>	<u>72.05</u>	
<u>4-month FPE 31 October 2021</u>				
Medtronic Malaysia Sdn Bhd	Consignment Items	1,162	25.85	1
Zuellig Pharma Sdn Bhd	Pharmacy and consumable items	1,007	22.41	4
Gribbles Pathology (Malaysia) Sdn Bhd	Laboratory services	419	9.33	4
DKSH Malaysia Sdn Bhd	Pharmacy and consumable items	354	7.86	4
KODE Solutions	Consumable items	174	3.87	3
Total		<u>3,116</u>	<u>69.32</u>	

Over the Period Under Review, our major suppliers contributed approximately 52.85%, 66.03%, 65.06%, 72.05% and 69.32% to our purchases for FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 respectively. Our Group has maintained good working relationships with our major suppliers and we do not have any long-term agreements with any of our major suppliers. Save as disclosed below, we are not dependent on our major suppliers and there has been no material dispute nor have we experienced any difficulty in sourcing products in the past.

7. BUSINESS OVERVIEW (Cont'd)

Our Group is dependent on the following suppliers:

- (i) Zuellig Pharma Sdn Bhd is a distributor of pharmaceutical products in Malaysia, representing international pharmaceutical companies and supplies us with pharmacy and consumable items. It was one of the major suppliers for FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 respectively, accounted for 19.10%, 26.59%, 30.89%, 25.71% and 22.41% of our total purchases respectively.
- (ii) DKSH Malaysia Sdn Bhd is a distributor of consumer and healthcare products of various brands in Malaysia representing international healthcare companies and supplies us with pharmacy and consumable items. It was one of our major suppliers for FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 respectively, accounted for 13.95%, 24.75%, 19.79%, 30.09% and 7.86% of our total purchases, respectively.

As with all private medical centres in Malaysia, we rely on Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd as they are the sole distributor of certain brand of pharmaceutical products and consumable items in Malaysia. Zuellig Pharma Sdn Bhd is the sole distributor of pharmaceutical brands such as Ganaton and Duspatalin in Malaysia and DKSH Malaysia Sdn Bhd is the sole distributor of pharmaceutical brands such as Dexilant and Vocinti in Malaysia. If Zuellig Pharma Sdn Bhd and/or DKSH Malaysia Sdn Bhd's distributorship of the pharmaceutical products and consumable items with the relevant brand owners have ceased, such brand owners may require time to appoint new local distributors in their place. Further, if the supply of products from Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd are disrupted or ceased or there are changes in our Group's business relationship with them, this may affect our Group's business operations. We may incur additional costs, time and resources to seek alternative supply of sources or products of other brands on terms that are commercially acceptable to us.

We also purchased pharmacy items from DCH Auriga Sdn Bhd. However, we are not dependent on DCH Auriga Sdn Bhd as it accounted for less than 5% of our total purchases during the Period Under Review.

We are not dependent on UMMI Surgery Sdn Bhd, Gribbles Pathology (Malaysia) Sdn Bhd, Endosurgery Sdn Bhd, Olympus (Malaysia) Sdn Bhd, KODE Solutions, RSD Hospitals Sdn Bhd and Medtronic Malaysia Sdn Bhd as we are able to seek alternative sources of supply from other suppliers in Malaysia.

7.18 MATERIAL DEPENDENCY ON COMMERCIAL CONTRACTS OR FINANCIAL CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES AND PERMITS OR PRODUCTION OR BUSINESS PROCESSES

Save for the major approvals, licences and permits as set out in **Section 6.7** of this Prospectus, we are not materially dependent on any other contracts, intellectual property rights, licences and permits or production or business processes that could materially affect our business as at the LPD.

The employment agreements, service agreements and practicing agreements are not deemed materially dependent contracts. In the event of the loss of any consultants engaged under the said agreements, they may be replaced by hiring suitable candidates.

We are not materially dependent on the employment agreements our employee consultants have entered into with our Group due to the following:

- (i) Although we are materially dependent on the employee consultants as a group, the reliance by us on each of the employee consultant individually will decrease over time as

7. BUSINESS OVERVIEW (Cont'd)

we will recruit additional and new employee consultants and surgeons which is in line with our business expansion plans;

- (ii) The employment agreements are generally not considered commercial contracts as the same are not business arrangement which we depend on for our revenue. Further, the employment agreements are entered between our Group and the employee consultants mainly to govern the employer employee relationship between the parties like any other employment agreements entered between our Group with any of our other employee; and
- (iii) Notwithstanding that the income earned by the employee consultants at other medical centres is assigned to our Group (details of which are set out in **Section 11.1.3** of this Prospectus), such income is on declining trend. This is evident in the decreasing contribution of administrative fee by the employee consultants (comprised of a fixed percentage of the consultation and treatment fees earned by them at other medical centres) over the Period Under Review pursuant to the previous agreements we had entered into with the employee consultants, as set out in **Section 7.3** of this Prospectus. Notwithstanding the clinical sessions certain employee consultants are maintaining at other medical centres as set out in **Section 11.1.3** of this Prospectus, the decreasing contribution of administrative fee by the employee consultants over the Period Under Review reflects the decreasing consultation and treatment fees earned by the employee consultants in other medical centres. This is due to the declining number of patients seen by the employee consultants in other medical centres over the Period Under Review. The number of patients seen by the employee consultants at our medical centre during the Period Under Review increased. Correspondingly, the employee consultants' contribution to our Group's total revenue has been increasing over the Period Under Review.

7.19 EMPLOYEES, CONSULTANTS AND MEDICAL OFFICERS

The breakdown and movement of our employees from 30 June 2018 up to the LPD is as follows:

Category	As at 30 June 2018	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at the LPD
Medical:					
○ Employee consultants	-	-	-	-	6
○ Medical officer (full time)	-	-	1	3	3
○ Nurses	26	28	40	44	50
○ Clinical support	10	11	11	15	16
Non- Medical:					
○ Key Senior Management	2	2	2	2	2
○ Finance	2	2	3	4	4
○ Business Office	5	7	8	9	9
○ Administration and human resource	2	2	2	2	3
○ Marketing and customer care	4	8	7	8	7
○ Others (Information technology, maintenance and purchasing, Clinic Assistant, Nursing Clerk and CSSD)	16	14	17	18	22
Total	67	74	91	105	122

7. BUSINESS OVERVIEW (Cont'd)

Our employees are not members of any union. Since commencement of our operations, we have not been engaged in any industrial dispute. The relationship and co-operation between our management and our employees have always been good and this is expected to continue.

We regard our employees as invaluable and key components to our continued growth and view sound human capital management as a critical success factor. We believe a well-trained, well-motivated and well-managed workforce is essential for efficient operations and the continued success of our business. As such, we proactively cultivate a positive working culture by having good working relationships with our employees and place a great emphasis on a comfortable working environment for our employees.

The breakdown of our resident and visiting consultants as well as visiting medical officer (who are not our employees) as at the LPD is as follows:

Category	As at 30 June 2018	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at the LPD
Resident consultants	*7	*8	^10	^11	#5
Visiting consultants	2	10	14	19	@17
Visiting medical officer	4	4	3	~1	1
Total	13	22	28	31	23

Notes:

* Including our current five (5) employee consultants who were resident consultants prior to 1 September 2021.

^ Including our current six (6) employee consultants who were resident consultants prior to 1 September 2021.

Excluding our six (6) employee consultants as at the LPD.

@ One (1) urologist and one (1) oncologist who were our visiting consultants as at 30 June 2021 have ceased practice at our medical centre as at the LPD.

~ During the FYE 2021, we recruited two (2) additional full-time medical officers to support the increase in the number of patients received by our accident and emergency department. Correspondingly, we reduced the headcount of visiting medical officers from three (3) visiting medical officers as at 30 June 2020 to one (1) visiting medical officer as at 30 June 2021. For clarity purpose, the two (2) additional full-time medical officers joined our Group during the FYE 2021 and were not part of our team of visiting medical officers as at 30 June 2020.

Save for Dr Mustafa Mohammed Taher (our employee consultant), who is a permanent resident in Malaysia, all of our employees, consultants and medical officers are Malaysian citizens. All of our employees are under permanent employment.

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8. INDEPENDENT MARKET RESEARCH REPORT

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

The information in this Section 8 is based on the market research conducted by Protégé Associates commissioned by Cengild Medical Berhad for the purpose of the IPO.

The Board of Directors
Cengild Medical Berhad
Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

15 March 2022

Dear Sirs/Madams,

Strategic Analysis of the Healthcare Services Market in Malaysia

Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this 'Strategic Analysis of the Healthcare Services Market in Malaysia' for inclusion in the prospectus of Cengild Medical Berhad ("**Cengild Medical**") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr Seow Cheow Seng is the Managing Director of Protégé Associates. He has 22 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.
Yours sincerely,



SEOW CHEOW SENG
Managing Director

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**1.0 Introduction to Healthcare Services**

Healthcare services refers to the provision of consultation, diagnostic, patient care and medication for the prevention or treatment of diseases, ailments, injuries or other physical and psychological health conditions. Healthcare professionals such as general physicians and specialists, supported by medical assistants, nurses and other healthcare professional, provide these services. The classification of healthcare services based on the type of care delivered is summarised in the following diagram.

Figure 1: Categorisation of Healthcare Services by Level of Services

Primary care is the most basic healthcare services provided to the general public, delivered by primary care physicians, nurses or family doctor on an outpatient basis. Primary care services are generally provided via health centres, clinics and sometimes pharmacies. They also include administering first-aid to injuries and dental services.

Secondary care refers to the intermediate healthcare consultation or services provided by specialists to patients that are referred by primary care physicians. Secondary care is typically provided in specialist clinics, hospitals and medical centres that have special facilities for diagnostic, inpatient treatment and general surgeries. Secondary care services are supported by healthcare workers such as nurses, pharmacists and other healthcare professionals (i.e. anaesthesiologist, physiotherapist, optometrist and radiologist).

Tertiary care is the level of healthcare services provided to patients which typically involves specialist consultative care, advanced treatment or complex surgery and inpatient care. Tertiary care patients are usually referred by primary or secondary care personnel. The provision of these services is delivered via hospitals and medical centres with specialised equipment and facilities for complex medical interventions. Examples of tertiary care include cardiac surgery, neurosurgery, reconstructive surgery and cancer treatment.

Quaternary care is the highest level of healthcare services which involves high-risk and complex surgeries such as organ transplants.

Source: Protégé Associates

2.0 Overview of the Healthcare Services Market in Malaysia

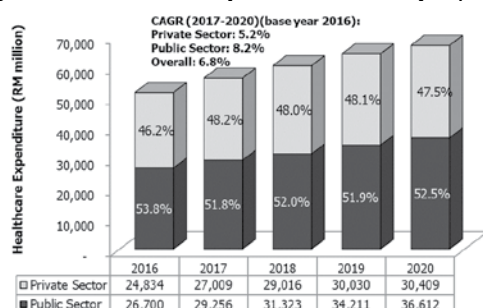
Malaysia's population stood at 32.7 million in 2021, supported by a large productive labour force of 15 years to 64 years old that accounted for 69.6% or 22.7 million of the population. The Malaysian population grew at an average of 1.1% over the last 5 years, mainly due to relatively low to moderate crude birth rate at 15.5 per 1000 people as well as a low crude death rate at 4.7 per 1000 people. The principal causes of death in Malaysia are old age, heart diseases, respiratory diseases, infectious and parasitic diseases and car accidents.

Malaysia is fast becoming an ageing population, where the elderly population aged 65 years and above accounts for 7.4% in 2021 and is projected to reach 14.5% by 2040. The growing elderly population number is anticipated to increase the demand for age-related medical care. Furthermore, lifestyle factors such as diet and smoking, and a sedentary and stressful lifestyle has also contributed to diseases such as diabetes, hypertension and obesity. Between 2011 and 2019, the prevalence of diabetes among those above 18 years old has been increasing from 11.2% to 18.3%. In 2019, 30% of the population aged 18 and above are having hypertension. Obesity is one of the factors that would increase the risk of a person developing gastrointestinal diseases and disorders. Common gastrointestinal issues include acid reflux or gastroesophageal reflux disease ("GERD"), indigestion or dyspepsia, irritable bowel syndrome ("IBS") and haemorrhoids. The prevalence of obesity among Malaysians has been on an increasing trend for people aged 18 years and above from 15.2% in 2011 to 19.7% in 2019. The general increase in these non-communicable diseases over the years undoubtedly increased the need for healthcare services.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

The healthcare services in Malaysia is a two-tiered system namely, public and private healthcare services. Public healthcare is government-led and tax-funded healthcare that is made available for Malaysians at heavily subsidised costs, while private healthcare is a fee-for-service in which patients pay according to the healthcare services provided to them. The total healthcare expenditure in Malaysia stood at RM67.02 billion in 2020, contributing about 4.7% of Malaysia's gross domestic product. Healthcare expenditure in Malaysia comprises of public and private expenditure. Public healthcare expenditure accounts for healthcare services operational costs, capacity building and procurement of pharmaceuticals and medicals supplies incurred by the Ministry of Health Malaysia ("MOH"). In 2020, public healthcare expenditure accounted for about 54.6% or RM36.61 billion of total healthcare expenditure. Meanwhile, private healthcare expenditure comprises of out-of-pocket expenditures incurred by individuals or corporation for medical bills, purchase of pharmaceuticals and disbursements made by insurance companies for medical expenses. This covers expenditures to various type of healthcare providers such as hospitals, ambulatory healthcare and nursing and residential care facilities. In 2019, private healthcare expenditure accounted for about 45.5% or RM30.41 billion of the total healthcare expenditure.

Figure 2: Healthcare Expenditure in Malaysia, 2016-2020



The healthcare expenditure in Malaysia has been increasing at CAGR of 6.8% over the last 5 years from 2016 to 2020, largely due to growth in both public and private healthcare capacity.

A notable upward trend is also observed through the number of hospital beds from 2016 to 2020. The number of public hospital beds increased from 36,447 in 2015 to 38,543 in 2020, whilst private hospital beds increased from 12,963 in 2015 to 17,155 in 2020.

Source: MOH

The healthcare industry in Malaysia is regulated and governed by the MOH. The laws and regulations surrounding the healthcare services market in Malaysia are established and comprehensive, covering all aspects from licensing operations, to standards and guidelines for services which include the quality of healthcare professionals and workers, equipment safety, fee structures and advertising prohibition and guidelines. These laws and regulations that govern the private healthcare services are the Medical Act 1951, Private Healthcare Facilities and Services Act 1998 and Medicines (Advertisement and Sale) Act 1956.

The number of specialists in Malaysia is concentrated mainly in the private sector. This is more prevalent in disciplines such as gastroenterology, cardiology, clinical oncology, neurology as well as obstetrics and gynaecology, and is the key driver for the general public who opt for private hospitals for tertiary and quaternary care services.

Figure 3: Selected Specialists in Malaysia, 1 March 2021

Specialist Discipline	Public	Private	Specialist Discipline	Public	Private
Breast and Endocrine Surgery	37	22	Clinical oncology	53	69
Cardiology	108	251	Neurology	67	57
Dermatology	60	80	Neurosurgery	87	62
General Surgery	476	408	Obstetrics and Gynaecology	541	658
Gastroenterology and Hepatology	77	127	Upper Gastrointestinal Tract (Upper GIT)	14	13

Note: The above list of specialist discipline is not exhaustive.

Source: National Specialist Register

Multidisciplinary hospitals tend to have higher costs as they need to invest in a wider range of medical devices and equipment and provide more resources to cater to a wide variety of disciplines. This is in contrast to a specialised medical centre that generally focuses their investment in medical devices, equipment and resources on their specialisation thereby having better efficient use of capacity and resources. Cengild Medical is a healthcare service provider operating a medical centre specialising in gastrointestinal, liver diseases and obesity. As such, the following sections will focus on private healthcare services market in Malaysia.

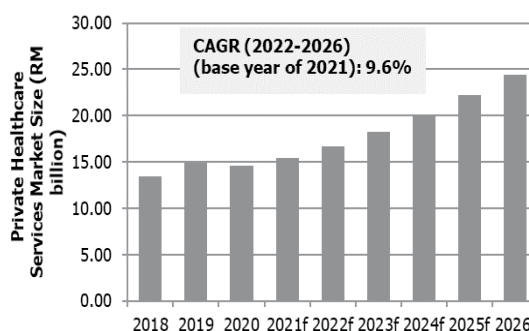
8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**3.0 Strategic Analysis of the Private Healthcare Services Market in Malaysia****3.1 Historical Market Performance and Growth Forecast**

Protégé Associates has provided the historical performance and growth forecast of the private healthcare services market in Malaysia based on a combination of resources, including the data from the MOH and the annual reports of public listed healthcare companies. The findings are then supplemented by the annual reports of public listed healthcare service providers to ascertain the historical scenario and future prospects of the healthcare services market in Malaysia. Revenue of the Malaysian private companies in the healthcare service market is also obtained through company searches to supplement the findings and computation.

The historical market size of the private healthcare services market in Malaysia is derived from the expenditure to private hospitals in Malaysia which consist of among others, services of curative care, health program administration, medical goods dispensed to out-patients, health programme administration and health insurance, capital formation of health care provider institutions, ancillary services to healthcare as well as research and development in health. The historical size (in terms of expenditure in private hospitals in Malaysia) and growth forecast of the private healthcare services market in Malaysia is shown in figure below.

Figure 4: Historical Market Size (in terms of expenditure to private hospitals in Malaysia) and Growth Forecast of the private healthcare services market in Malaysia, 2018-2026

Year	Market Size (RM billion)	Growth Rate (%)
2018	13.44	-
2019	14.89	10.8
2020	14.55	-2.3
2021 ^e	15.44	6.1
2022 ^f	16.70	8.2
2023 ^f	18.29	9.5
2024 ^f	20.14	10.1
2025 ^f	22.21	10.3
2026 ^f	24.46	10.1



CAGR (2022-2026) (base year of 2021)= 9.6%

Notes: *e* denotes estimate, *f* denotes forecast

Sources: MOH and Protégé Associates

In 2019, the Malaysian private healthcare services market was valued at RM14.89 billion, a growth of 10.8% from 2018 mainly due to increase in patient volume as consumer demand for quality healthcare services remained high. Healthcare service providers are also reached out to healthcare travellers, leveraging on the Malaysia Year of Healthcare Travel campaigns that seek to reinforce Malaysia as a preferred healthcare travel destination. In 2020, the Coronavirus Diseases ("COVID-19") pandemic and the subsequent movement control orders ("MCO") and border closures had caused a reduction of patient volumes as patients opted to postpone non-urgent and non-essential treatments and deferred visits to hospitals. The healthcare services market in Malaysia is contracted by 2.3% from RM14.89 billion in 2019 to RM14.55 billion in 2020, due to widespread economic slowdown caused by the COVID-19 pandemic. The private healthcare services market is estimated to value at RM15.44 billion for the year 2021.

Growth in the short term (2022-2023) is likely to be affected by continued economic recovery and reopening to borders as Malaysia move to its endemic phase. The ongoing and continuous COVID-19 vaccination effort should further facilitate the recovery of the healthcare services market in Malaysia. In the medium to long term (2024-2026), the healthcare services market in Malaysia is anticipated to restore to its pre-COVID level as economy activity including healthcare travel industry continues to recover. Malaysia's growing ageing population and increasing affluence is anticipated to drive demand for private healthcare as life expectancy, chronic disease and comorbidity rises. The Malaysian healthcare services market is projected to remain resilient in the long term and register a CAGR of 9.6% from RM15.44 billion in 2021 to RM24.46 billion in 2026.

3.2 Competitive Analysis

In 2020, there were 347 hospitals in Malaysia out of which are 145 are public hospitals and 202 are private hospitals. Majority of the private hospitals are part of a wider network of hospitals operated by several key healthcare service providers such as IHH Healthcare Berhad and KPJ Healthcare Berhad. The private healthcare services market in Malaysia has relatively high barriers to entry. Factors attributing to high barriers of entry include:

- High capital expenditure – Building a healthcare facility requires high capital investments, consists of purchase of land and equipment as well as the construction cost of new buildings. On average, it costs

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

about RM1.2 million per bed to build a hospital. A 50-bedded hospital could cost about RM80 million while a 100-bedded hospital could cost RM120 million;

- Regulatory requirements and standards – Healthcare service providers are required to apply for a licence in order to operate. Furthermore, healthcare services are highly regulated by the Government, and therefore subject to high levels of regulations and standards in terms of administration of its facilities, handling of supplies and in clinical operation procedures, to ensure the safety of the general public.
- Consumer confidence in brand and industry recognition – Typically, brand recognition is important for private healthcare service providers. The ability to attract established specialists to set up consultation clinic with a private hospital will ensure steady stream of patients. New entrants to the healthcare services market may have difficulties in doing this due to the lack of brand recognition. Furthermore, new entrants have to compete with well-established service providers who have achieved industry awards and accreditations such as Joint Commission International and Malaysian Society for Quality in Health.
- Availability of doctors and nurses – the availability of qualified and experienced doctors, specialists, and nurses to support investment and expansion in new healthcare facilities is critical to the success of new hospitals. It takes approximately 4 years to complete an accredited nursing course and nursing students must pass the Malaysian Nursing Board Examination to become a registered nurse.

Meanwhile, it takes approximately 8 to 9 years to become a fully registered doctor after completing Sijil Pelajaran Malaysia and another 10 years to become a specialist. As a result of the long training time, the number of specialists is generally limited compared to general practitioners. Therefore, the availability of experienced specialists is one of the barriers to entry for prospective private healthcare service providers.

Gastroenterology is the study of the normal function and diseases of the gastrointestinal system including the esophagus, stomach, small intestine, large intestine, rectum, pancreas, gallbladder, bile ducts, and liver. Hepatology is the study of the normal function and diseases of the liver, pancreas, gall bladder and bile ducts. Cengild Medical is the only independent medical centre in Malaysia specialising in gastrointestinal liver diseases and obesity, while other hospitals offer various specialist disciplines. It is not possible to obtain the gastroenterology and hepatology market size in Malaysia in view that private healthcare hospitals in Malaysia are multi-disciplinary hospitals and their publicly available revenue are not segmented. According to the National Specialist Register, there are 204 specialists in the field of gastroenterology and hepatology in Malaysia, out of which 77 specialists are registered with the public sector and 127 are with the private sectors. This can be translated to 204 specialists serving a total of 347 hospitals in Malaysia.

Protégé Associates has used the following criteria when selecting other private healthcare service providers in Malaysia for comparison with Cengild Medical:

- Private healthcare service providers that operates minimum 1 hospital;
- Operates with a setup of more than 20 licensed or operated beds; and
- Have a dedicated gastroenterology and hepatology department

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

Figure 5: Selected Private Healthcare Service Providers with Gastroenterology and Hepatology Specialists in Malaysia, 2021

Healthcare Group or Holding Company	No of Hospitals in Malaysia	Single/Multi-Discipline	Estimated No of Beds ⁽¹⁾	Estimated No of Specialists in the Field of Gastroenterology and Hepatology ⁽²⁾	Audited Financial Year End	Healthcare Revenue (RM million)	Gross Profit (RM million)	Profit Before Tax (RM million)	Profit After Tax (RM million)	Gross Profit Margin (%) ⁽³⁾	Profit Before Tax Margin (%) ⁽⁴⁾	Profit After Tax Margin (%) ⁽⁵⁾
Cengild Medical	1	Single	28	7 ^(a)	30 June 2021	39.2	17.5	5.5	3.9	44.6	14.0	9.9
Adventist Hospital & Clinic Services (M) ^(b)	1	Multi	254	1	31 December 2020	189.3	33.9	6.8	2.8	17.9	3.6	1.5
Assunta Hospital ^(b)	1	Multi	255	3	31 December 2020	94	13.0	4.4	4.4	13.8	4.7	4.7
Beacon Hospital Sdn Bhd	1	Multi	100	4	31 December 2020	185.3	80.2	33.6	33.6	43.3	18.1	18.1
Columbia Asia Sdn Bhd	13	Multi	1,225	5	31 March 2021	851.4	-	(7.6)	(33.2)	-	(0.9)	(3.9)
IHH Healthcare Berhad ^(c), holding company of the following:												
Pantai Hospitals Sdn Bhd (a subsidiary of Pantai Holdings Sdn Bhd)	11	Multi	1,456	17	31 December 2020	2,188.0 ^(e)	-	346.2 ^(e)	249.2 ^(e)	-	15.8	11.4
Prince Court Medical Centre Sdn Bhd (a subsidiary of Pantai Holdings Sdn Bhd)	1	Multi	270	5								
Geneagles (Malaysia) Sdn Bhd (a subsidiary of Pantai Holdings Sdn Bhd)	4	Multi	1,229	13								
Island Hospital Sdn Bhd	1	Multi	300	3								
KPJ Healthcare Berhad ^(d)	28	Multi	3,200	24								
Kumpulan Medic Iman Sdn Bhd (a subsidiary of TDM Berhad ^(e))	4	Multi	394	7	31 December 2020	225.5	(3.5)	(4.4)	(6.9)	(1.6)	(2.0)	(3.1)
					31 December 2020	2,285.0 ^(d)	-	212.7 ^(d)	170.8 ^(d)	-	9.3	7.5
Loh Guan Lye & Sons Sdn Bhd	1	Multi	273	2	31 December 2020	203.1	50.9	(8.5)	(10.1)	(25.1)	(4.2)	(5.0)
Ramsay Sime Darby Healthcare Sdn Bhd (a subsidiary of Sime Darby Holdings Berhad ^(f))	3	Multi	964	13	31 August 2020	199.0	58.3	18.9	15.3	29.3	9.5	7.7
Sunway Medical Sdn Bhd (subsidiary of Sunway Berhad ^(g))	2	Multi	800	14	30 June 2021	1,050	-	126.1	69.7	-	12.0	6.6
Thomson Hospitals Sdn Bhd (subsidiary of TCM Life Sciences Berhad ^(h))	1	Multi	205	4	31 December 2020	632.3	-	17.4	17.4	-	2.8	2.8
					30 June 2021	201.0 ^(h)	-	27.7 ^(h)	20.2 ^(h)	-	13.8	10.0

The list above is not exhaustive and not limited to these players.

Notes:

- (1) Single discipline medical provider refers to provision of gastroenterology and hepatology related care and treatment services, while multi-discipline medical provider refers to provision of various specialist disciplines including the gastroenterology and hepatology related care and treatment services.
- (2) The estimated number of beds was obtained on a best effort basis and as per published in the companies' own publication and/or websites. The term "beds" may refer to licensed or operated beds.
- (3) The estimated number of specialists in the field of gastroenterology and hepatology may overlap for each hospital as specialist can carry out his practice at more than 1 hospital.
- (4) Gross Profit Margin = Gross Profit/ Revenue.
- (5) Profit Before Tax Margin = Profit Before Tax/ Revenue
- (6) Profit After Tax Margin = Profit After Tax/ Revenue
- (a) Based on information provided by the company, Cengild Medical has 7 specialists in the field of gastroenterology and hepatology, where 3 are resident consultants and 4 are visiting consultants.
- (b) The company operates as a not-for-profit hospital.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



- (c) IHH Healthcare Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.
- For the FYE 31 December 2020, IHH Healthcare Berhad registered revenue of RM13.4 billion, of which its subsidiary, Parkway Pantai Group (holding company for Pantai Group Holdings Sdn Bhd) that is involved in provision of healthcare services registered revenue of RM9.7 billion and the remaining revenue of RM3.7 billion is contributed from its subsidiaries namely, Acibadem Holdings and IMU Health Malaysia Sdn Bhd as well as Plife Real Estate Investment Trust (REIT).
 - For the FYE 31 December 2020, Parkway Pantai Group registered revenue of RM9.7 billion, of which its Malaysia market registered revenue of RM2.2 million and the remaining revenue of RM7.5 billion is derived from Singapore, India, China and Brunei market. The PAT and PBT provided are also derived from Malaysia market.
- (d) KPJ Healthcare Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.
- For the FYE 31 December 2020, KPJ Healthcare Berhad registered revenue of RM2.4 billion, of which its Malaysia market contributed RM2.3 billion and the remaining revenue of RM0.1 billion are contributed by Indonesia, Thailand, Bangladesh and Australia. The PAT and PBT provided are also derived from Malaysia market.
- (e) Listed on Main Market of Bursa Malaysia Securities Berhad.
- (f) Listed on Main Market of Bursa Malaysia Securities Berhad.
- (g) Listed on Main Market of Bursa Malaysia Securities Berhad.
- For the FYE 31 December 2020, Sunway Berhad registered revenue of RM3.8 billion, of which healthcare segment contributed RM0.6 billion, and the remaining revenue RM3.2 billion were contributed from its property investment and development, construction, trading and manufacturing, quarry, investment holdings segments. The PAT and PBT provided are also derived from its healthcare segment.
- (h) Listed on the Main Market of Bursa Malaysia Securities Berhad.
- For the FYE 30 June 2021, TCM Life Sciences Berhad registered revenue of RM201.0 million, of which 90% or RM181 million derived from its hospital division, while the remaining revenue RM20 million is derived from TMC Fertility Centre, TMC Care Pharmacy and Thomson TCM divisions. There are no available PAT and PBT from its hospital division. Therefore, we provided the total revenue, PBT and PAT in the above table.

3.2.1 Market Share Analysis

It is not possible to obtain the market size (revenue) of private healthcare services focusing on gastroenterology and hepatology specialist disciplines in Malaysia as the published revenue of the private healthcare service providers are not segmented by specialist disciplines.

As at 1 March 2021, there were 204 registered gastroenterology and hepatology specialists serving in the public and private sectors. These specialists are not hired by the hospital and can carry out their practices at more than 1 hospital by having their clinics at the hospitals. Cengild Medical's market share in Malaysia based on 7 gastroenterology and hepatology specialists in 2021 was 3.4%.

3.3 Demand Conditions

Figure 6: Demand Conditions Affecting the Private Healthcare Services Market in Malaysia, 2022-2026

Impact	Demand Condition	Short-Term 2022-2023	Medium-Term 2024-2025	Long-Term 2026
+	Steady Population Growth and an Ageing Population, Growing Middle and High Income Group in Malaysia	High	High	High
+	Increasing Incidence of Non-communicable Diseases	High	High	High
+	Access to Medical Insurance	High	High	High
+	Growth in Healthcare Travel Industry	Medium	High	High

Source: Protégé Associates

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**Steady Population Growth and an Ageing Population**

A higher population indicates a growing pool of potential consumers requiring healthcare services. Demand for healthcare services is always set to rise in tandem with an ageing population, as older population are more vulnerable to health issues. Malaysia's population is estimated at 32.7 million in 2021 and is projected to grow at a CAGR of 1.2% to reach 41.5 million in 2040.

The Malaysia demographic also exhibits the trend of an ageing population. The elderly population, those aged 65 and above constitute 7.4% of the total population in 2021. By 2040, the elderly population are projected to contribute 14.5% of total population. This age group is the most vulnerable in terms of maintaining standard of healthy living and are susceptible to age-related diseases, and thus likely to require medical care as they age. With this, demand for healthcare services including private healthcare services in Malaysia is anticipated to grow in tandem with steady population growth as well as Malaysia's ageing population.

A wealthier population generally aspires for better living conditions and better quality of healthcare. Malaysia has a growing middle- and high- income class population. The percentage of household with income above RM10,960 (known as the T20) grew from 46.2% in 2016 to 47.2% in 2020. Meanwhile, the percentage of household with income between RM4,850 to RM10,059 (known as the M40) has reduced from 37.4% in 2016 to 36.9% in 2020. The growing middle- and high- income group in Malaysia provides an opportunity for the private healthcare service providers to align its service offering to cater for these M40 and T20 groups. The following figure depicts the population and mean monthly household income by the states for the year 2016 and 2020.

Figure 7: Population by States (2016 and 2021), Percentage of Elderly Population aged 65 and Above (2016 and 2021) and Mean Monthly Household Income by States (2016 and 2020)

State	Population ('000)		Percentage of Elderly Population aged 65 and above (%)		Mean Monthly Household Income (RM)	
	2016	2021e	2016	2021e	2016	2020
Johor	3,651.8	3,794.0	6.5	7.8	6,928	7,264
Kedah	2,119.7	2,194.1	7.2	8.6	4,971	5,005
Kelantan	1,796.7	1,928.8	6.1	6.9	4,214	4,411
Malacca	901.1	937.5	7.5	8.9	6,849	7,186
Negeri Sembilan	1,099.3	1,129.1	7.1	8.9	5,887	6,184
Pahang	1,626.7	1,684.6	6.5	7.9	5,012	5,144
Perak	2,482.1	2,508.9	9.6	11.4	5,065	5,081
Perlis	251.0	255.4	8.3	9.8	4,998	4,971
Penang	1,717.7	1,774.4	7.8	9.4	6,771	6,850
Sabah	3,802.8	3,883.0	3.1	3.9	5,354	5,215
Sarawak	2,738.7	2,822.2	6.7	8.3	5,387	5,087
Selangor	6,291.5	6,555.4	4.6	5.8	9,463	9,668
Terengganu	1,183.4	1,275.1	5.4	6.0	5,776	6,051
Kuala Lumpur	1,789.7	1,746.6	6.2	8.0	11,692	11,728
Labuan	96.8	100.1	3.5	5.2	8,174	7,333
Putrajaya	84.4	116.1	1.1	2.1	11,555	12,322
Total	31,633.5	32,705.3	6.0	7.4	6,958	7,089

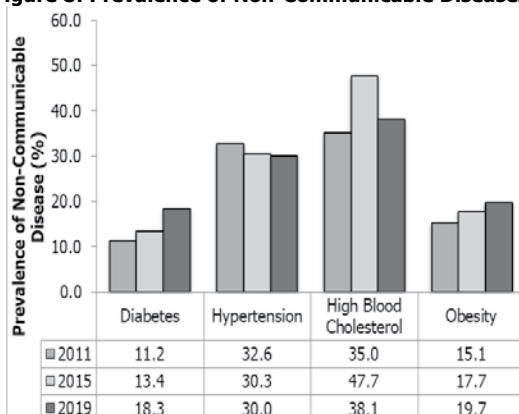
Note: e denotes estimate

Source: Department of Statistics

Increasing Incidence of Non-communicable Diseases and Obesity

The sedentary lifestyles of people today, coupled with lack of regular exercises, unhealthy diet, smoking and excessive consumption of alcohol have resulted in increasing prevalence of non-communicable diseases such as diabetes, hypertension (high blood pressure) and high blood cholesterol.

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

**Figure 8: Prevalence of Non-Communicable Diseases and Obesity in Malaysia, 2011, 2015 and 2019**

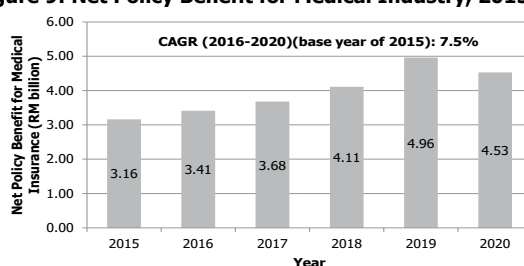
Source: National Health and Morbidity Survey, MOH

According to the National Health and Morbidity Survey ("NHMS") conducted 2019, the prevalence of obesity is at 19.7% for adults compared to 15.1% for adults in 2011. The same survey also reported that 50.1% of adults are overweight compared to 30% in 2015. The trend of obesity is alarming as it is an indicator of future increases in incidence of non-communicable diseases such as diabetes, hypertension and high blood cholesterol.

Obesity is also one of the factors that would increase the risk of a person developing gastrointestinal and liver diseases. This increasing prevalence of non-communicable diseases and concerns over obesity could likely lead to growing number of patients diagnosed with gastrointestinal and liver diseases, which translate to demand for healthcare services, and thus driving growth for private healthcare services market.

Access to Medical Insurance

Access to medical insurance is one of the most important enablers in accessing healthcare. Traditionally, out-of-pocket spending is a common method of payment for medical fees by those who seek treatment at private healthcare facilities. The increasing availability of medical insurance packages in Malaysia has reduced the reliance on out-of-pocket spending for private healthcare services and has also encouraged the transition from public to private healthcare services, particularly for the M40 population. As of 2020, there were 36 registered insurance providers in Malaysia, out of which 22 companies provide medical insurance. Examples of companies which provide general medical insurance include Allianz General Insurance Company (Malaysia) Berhad, AIA General Berhad, Asia Assistance Network (M) Sdn Bhd, Great Eastern General Insurance (Malaysia) Berhad, Manulife Insurance Berhad, MediExpress (Malaysia) Sdn Bhd, MSIG Insurance (Malaysia) Berhad, Pm Care Sdn Bhd and Tokio Marine Insurans (Malaysia) Berhad. The accessibility of funds for private healthcare services was made possible due to the availability of competitive general medical insurance offered in Malaysia.

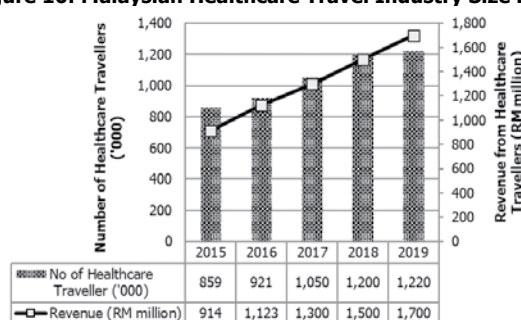
Figure 9: Net Policy Benefit for Medical Industry, 2015-2020

Source: Bank Negara Malaysia

Net policy benefit refers to the net payout from a portfolio of medical insurance policies undertaken. The net policy benefits for medical insurance grew at a CAGR of 7.5% from RM3.16 million in 2015 to RM4.53 billion in 2020. The growth in the net policy benefit (payout) for medical insurance demonstrate that there is an increasing acceptance of private insurance as part of the healthcare funding mix by the general public, which helps to drive the demand for private healthcare services.

Growth in Healthcare Travel Industry

As Malaysia is one of the destinations for healthcare services, the increase in healthcare tourism may lead to increasing demand for private healthcare services including for gastroenterology and hepatology related care. The number of healthcare travellers grew at a CAGR of 9.2% from 859,000 in 2015 to 1,220,000 in 2019, while the revenue generated from these healthcare travellers grew at CAGR of 16.8% from RM914 million in 2015 to RM1.70 billion in 2019.

Figure 10: Malaysian Healthcare Travel Industry Size by Revenue, 2015-2019

The Malaysia Healthcare Travel Council ("MHTC") launched the Malaysia Year of Healthcare Travel 2020 campaign in 2019, which is a key initiative aimed at fortifying the healthcare travel industry and to increase the awareness of Malaysia as a healthcare destination. However, as a result of the COVID-19 pandemic, healthcare tourism has been adversely affected due to border control measures and travel restrictions. The pandemic severely affected this sector as there was a decline in revenue to almost RM800mil in 2020.

Source: MHTC

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

Nonetheless, the on-going COVID-19 vaccination effort is anticipated to facilitate borders reopening and subsequent recovery of healthcare travel industry. With the COVID-19 pandemic disruption to the healthcare travel industry, the MHTC has developed a 5-year industry blueprint to chart out recovery and rebuilding strategies to continue growing the healthcare travel industry as one of the country's key export services. Recognising the importance of healthcare tourism, the Government announced in its Budget 2022, an allocation of RM20 million to MHTC to intensify efforts to revitalise and promote Malaysia as a healthcare tourist destination.

3.4 Supply Conditions**Figure 11: Supply Conditions Affecting the Private Healthcare Services Market in Malaysia, 2022-2026**

Impact	Supply Condition	Short-Term	Medium-Term	Long-Term
		2022-2023	2024-2025	2026
+	Strong Government Support	High	High	High
+	Increasing Number of Healthcare Professional	High	High	High
+	Major Development Projects by the MOH and the Private Sector	Medium	Medium	Medium

*Source: Protégé Associates***Strong Government Support**

The Government continues to lend its strong support by supporting private sector led innovation and investment, enhancing fundamentals namely, transportation, connectivity, attractions and infrastructure, strengthening healthcare quality through workforce and services, and finally continuous facilitation via policies and regulatory framework. The Government's commitment to the private healthcare through investment tax allowance and incentives have since 2014 attracted more than RM10 billion in private investments up till 2019. In 2019, 5 new and 2 expansion projects for private healthcare facilities have been approved with a total investment of RM338.15 million. This indicates the strength and continuous confidence of foreign and local investors in Malaysia's private healthcare services. With the border closures and uncertainties created by the COVID-19 pandemic since 2020, the number of healthcare travellers has dropped significantly, and foreign businesses have therefore halted their investment plans. Nonetheless, investment in healthcare services picked up in 2021, recording total investment of RM719.6 million for the period of January to September 2021 compared with RM8.8 million in the preceding period.

The Government continuously provide incentives such as investment tax allowance, double tax deduction for quality accreditation, and tax exemption on healthcare services to foreigners for private healthcare facilities. To further promote healthcare services offered to foreigners, private healthcare providers are given tax exemption on 100% of the value of the increased in exports of healthcare services provided to foreigners and can be set-off against 70% of statutory income. However, the income tax exemption will apply if foreign patients contribute 10% or more of company's total patients, and at least 10% of the company's gross income derived from foreign patients. The strong regulations implemented by the MOH upon the healthcare system of Malaysia have also brought confidence to local and foreign patients who have sought treatments here. The Government has introduced eVISA (Medical) which allows healthcare travellers to Malaysia to easily obtain their eVISA online for medical purposes. In addition, the Government introduced the TalentCorp initiatives under the Returning Expert Programme to facilitate the return of expert Malaysian medical professionals from abroad to contribute their skill sets and to address the issue of a shortage of medical professional in the country.

The Government also increases collaboration between the public and private sector to widen the healthcare coverage in Malaysia. To this end, the Government will widen the Public-Private Partnership programmes, in which the Government may provide supports through land procurement, subsidies and financings while the private sector will be involved in healthcare management and service delivery functions such as procurement of healthcare professionals and medical equipment. An example of such partnership is the establishment of Pusat Katarak Majlis Agama Islam Wilayah Persekutuan in Selayang (collaboration between the Government and the Majlis Agama Islam Wilayah Persekutuan). More recently, as part of the emergency effort to combat COVID-19, the government would integrate both public and private hospital services for better coordination, both public hospitals and participating private ones will operate in a "hybrid cluster" under the Government's COVID-19 Integrated Control Centre to treat both COVID-19 and non-COVID 19 patients. Going forward, strong and continuous Government supports are set to provide the impetus to growth of the private healthcare services market.

Increasing Number of Healthcare Professional

The number of the healthcare professionals in Malaysia has generally increased over the years from 2011 to 2020. With a steady supply of doctors and nurses, Malaysia has sufficient healthcare professionals with a doctor to population ratio of 1:441 and nurse to population ratio of 1:297.

Figure 12: Healthcare Workforce in Malaysia, 2011, 2016 and 2020

Indicators	2011	2016	2020
Total Doctors	36,607	50,087	73,996
• Public	25,845	36,403	59,006
• Private	10,762	13,684	14,990
Doctor to Population Ratio	1:791	1:632	1:441
Total Nurses	74,788	102,564	109,921
• Public	50,063	72,025	72,826
• Private	24,725	30,539	37,095
Nurse to Population Ratio	1:387	1:309	1:297

Source: MOH

8. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

As illustrated in Figure 3, there are more specialists in the private sector compared to the public sector. According to the National Specialist Register, there are 204 specialists in the field of gastroenterology and hepatology in Malaysia, out of which 77 specialists are registered with the public sector and 127 are with the private sectors. Further expansion in the number of specialists is likely to improve the coverage of private healthcare services provision in Malaysia.

Major Development Projects by the MOH and the Private Sector

In 2020, there were 2,890 public health clinics and 135 public hospitals. The Government has planned under the Budget 2020, for upgrading and expansion of existing hospitals namely, the Tengku Ampuan Rahimah Hospital in Klang, Kampar Hospital in Perak, Labuan Hospital as well as expanding of cardiology centre at Queen Elizabeth II hospital in Sabah. Construction and upgrading of health clinics are also planned for Setiu in Terengganu, Sungai Petani in Kedah, Cameron Highlands in Pahang, Kudat and Tawau in Sabah as well as Long San and Simpang Simunjan in Sarawak. However, these plans are suspended as resources were channelled to tackle COVID-19 pandemic. The Twelfth Malaysia Plan for the period of 2021 to 2025 is expected to address primary care and health promotion to tackle increasing non-communicable diseases and accessibility to quality healthcare. Priority will be given to Kedah, Kelantan, Perlis, Sarawak, Sabah and Terengganu by allocating basic development expenditure for the construction of hospitals to improve the gap in healthcare service delivery.

In 2020, there were 8,222 private medical clinics and 202 private hospitals. There are at least 12 new private hospital development projects throughout Malaysia that have been announced by private healthcare providers such as IHH Healthcare Berhad, KPJ Healthcare Berhad and Sunway Berhad, and expected to be constructed and operational within the period 2021 to 2025, alongside several expansion plans for existing hospitals. These construction of new hospitals as well as upgrading and expansion of existing hospitals are expected to add about 2,000 hospital beds in the private healthcare services market during the period from 2021 to 2025.

3.5 Government Regulations and Guidelines

Activities within the private healthcare services market are regulated and governed by the MOH. The main laws and regulations governing the provision of private healthcare services are the Medical Act 1951, the Private Healthcare Facilities and Service Act 1998 and the Medicines (Advertisement and Sale) Act 1956. The Medical Act 1951 outlines that all healthcare professionals in Malaysia are required to register with the respective regulatory boards in order to practice in Malaysia. The registering bodies are Malaysian Medical Council for medical practitioners, the Nursing Board for nurses and the Malaysian National Specialist Register for specialists. The Private Healthcare Facilities and Services Act 1998 outlines the minimum standards of facilities, equipment and infection control processes that all private hospitals need to attain in order to register themselves with the MOH. The fees to be charged for facilities or services provided by private healthcare facilities or services are governed under Schedule 13 of the Private Healthcare Facilities and Services (Private Hospitals and Other Private Healthcare Facilities) Regulations 2006 (as amended by the Private Healthcare Facilities and Services (Private Hospitals and Other Private Healthcare Facilities) (Amendment) Order 2013).

The Medicines (Advertisement and Sale) Act 1956, Medicine Advertisements Board Regulations 1976 and Advertising Guidelines for Healthcare Facilities and Services prohibit certain advertisements relating to medical matters and regulate sale of medicine. The Poison Act 1952 requires the pharmacist handling medicine in a private hospital to have a valid licence to import, store and deal with the permitted poisons. The Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 2005 regulates the disposal of the clinical waste arising from medical, nursing and similar practices.

3.6 Prospects and Outlook of the Private Healthcare Services Market in Malaysia

Going forward, the private healthcare services market is anticipated to grow steadily at a CAGR of 9.6% during its forecast period of 2022-2026, mirroring the general upward trend seen in healthcare expenditure over the recent years from 2016 to 2020. The increase utilisation of healthcare services is underpinned by overall population growth, ageing population and increasing incidence of non-communicable diseases and obesity. In addition, private healthcare is anticipated to lead the growth in healthcare services market owing to the increasing affluence of the nation.

The on-going and continuous COVID-19 vaccination efforts should further facilitate the recovery of the healthcare services market in Malaysia. Growth is anticipated to be higher during the forecast period of 2021 to 2025 due to new hospitals opening during this period. Among the demand factors for growth in private healthcare services market include higher uptake of medical insurance by middle income and high income group which acts as enablers to more complex treatments or procedures in private healthcare facilities, rising medical costs which are transferred to patients as well as growth in healthcare travel industry.

From the supply side, the private healthcare services market is expected to benefit from strong government support in charting the directions of healthcare services in Malaysia. The Malaysian population is also set to benefit from the potential expansion in private healthcare services coverage arriving from an increasing number of doctors and nurses, particularly the number of specialists as well as plans for new private hospitals development projects. The Malaysian private healthcare services market is projected to grow at CAGR of 9.6% from RM15.44 billion in 2021 to RM24.46 billion in 2026.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**9.1.1 We are highly dependent on our employee consultants**

Our medical centre currently has six (6) employee consultants specialising in gastrointestinal and liver diseases, and obesity, who are the key revenue drivers. The contribution by the employee consultants to our total revenue for the Period Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dato' Dr Tan Huck Joo	3,634	31.1	9,936	35.3	11,271	28.8	14,082	22.2	4,687	22.8
Emeritus Professor Dato' Dr Goh Khean Lee	1,915	16.4	4,352	15.4	5,333	13.6	6,324	10.0	771	3.8
Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	1,740	14.9	4,431	15.7	5,075	13.0	5,775	9.1	1,598	7.8
Dr Ramesh A/L K Gurunathan	1,173	10.0	4,597	16.3	4,488	11.5	4,404	6.9	1,371	6.7
Dr Ong Siew Kuen	524	4.5	1,247	4.4	1,387	3.5	2,658	4.2	749	3.6
Dr Mustafa Mohammed Taher	-	-	-	-	6,389	16.3	20,416	32.2	6,956	33.9
Total	8,986	76.9	24,563	87.1	33,943	86.7	53,659	84.6	16,132	78.6

The contribution by the employee consultants to our total GP during the Period Under Review is as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dato' Dr Tan Huck Joo	1,906	38.1	5,232	40.8	5,848	33.4	7,394	27.7	2,434	29.9
Emeritus Professor Dato' Dr Goh Khean Lee	914	18.3	2,104	16.4	2,814	16.1	3,286	12.3	262	3.2
Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	903	18.0	1,998	15.6	2,849	16.3	3,130	11.7	856	10.5
Dr Ramesh A/L K Gurunathan	677	13.5	2,407	18.8	2,593	14.8	2,453	9.2	764	9.4
Dr Ong Siew Kuen	321	6.4	737	5.7	796	4.5	1,367	5.1	391	4.8
Dr Mustafa Mohammed Taher	-	-	-	-	2,372	13.5	7,231	27.1	2,352	28.9
Total	4,721	94.3	12,478	97.3	17,272	98.6	24,861	93.1	7,059	86.7

The revenue and GP contribution attributed to the respective employee consultants includes revenue from medical management services provided to their respective patients.

The loss of any of these employee consultants, without suitable and timely replacement, or the inability to attract, hire and retain suitable candidates as employee consultants, may result in us being unable to retain our patients or attract new patients, which could negatively affect our business operations, financial performance and future prospects.

9. RISK FACTORS (Cont'd)

Our Group's performance and growth will depend substantially on our ability to retain, attract experienced, reputable and highly trained consultants with track record to join our medical centre as employee consultants by offering attractive remuneration packages such as minimum guarantee income and/or participation in our LTIP. The type of services our Group may provide is partly determined by our employee consultants and the skills which they possess. Our employee consultants have established their own patient bases. If any of them are no longer with our Group, their respective patient bases may choose to seek medical services elsewhere. Our patient base, business, financial condition, results of business operations and prospects may be materially and adversely affected if we cannot attract and retain employee consultants specialising in gastrointestinal and liver diseases, and obesity.

Emeritus Professor Dato' Dr Goh Khean Lee, our Executive Director and employee consultant, was on leave of absence due to medical reasons from 24 August 2021 to 13 March 2022 and has returned to work on 14 March 2022. During his absence, his duties and responsibilities as Executive Director were not affected as they resided with the rest of the Executive Directors and our Board. His duties and responsibilities as our Head of Medical Advisory Board and Head of Department, Endoscopy were assumed by Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi and Dato' Dr Tan Huck Joo respectively. His patients were attended to by our Group's other consultants in gastroenterology and hepatology. Further, there are no medical procedures that could not be performed in the absence of Emeritus Professor Dato' Dr. Goh Khean Lee. Notwithstanding Emeritus Professor Dato' Dr Goh Khean Lee's leave of absence, we did not encounter a reduction in our patient volume or endoscopic procedures performed at our medical centre (save for lower monthly patient volume in February 2022 mainly due to shorter month and Chinese New Year festive period) during the period from September 2021 up to the LPD compared to July 2021 and August 2021 as set out below:

Month	Number of patients	% month-on-month change	Number of endoscopic procedures	% month-on-month change
July 2021	1,994		428	
August 2021	1,842	(7.6)	429	0.2
September 2021	2,082	13.0	593	38.2
October 2021	2,356	13.2	674	13.7
November 2021	2,311	(1.9)	691	2.5
December 2021	2,406	4.1	678	(1.9)
January 2022	2,097	(12.8)	500	(26.3)
February 2022	1,794	(14.4)	452	(9.6)

Given the above, the leave of absence of Emeritus Professor Dato' Dr Goh Khean Lee did not give rise to any material impact on our Group's operations and financial performance.

9.1.2 We have short operating history with operation of a single medical centre

We currently operate our business at a single medical centre, which commenced operations in October 2017. Due to the short operating history, our medical centre may not be well known to the general public as compared to other medical centres and hospitals which have longer operating history.

9. RISK FACTORS (Cont'd)

Further, in the event of any natural disaster, political instability, extended outages of critical utilities, terrorist attack or other event beyond our control that limits the operation of our medical centre, we may need to incur substantial additional expenses to repair and replace the damaged facilities or even evacuate the current premises and relocate our medical centre to an alternative location. Any interruption in, or prolonged suspension of any part of our operations at, or any damage to or destruction of, any of our medical equipment and facilities arising from any adverse events may prevent us from providing healthcare services, which in turn may adversely affect its business and operations. Under this situation, as with all other medical centres and hospitals, we will need to transfer our patients to other medical centre or public hospitals.

We recognise the risk of operating a single medical centre and therefore, intends to expand our presence to other major cities in Malaysia by establishing two (2) new full-fledged medical centres at other locations post listing. The full-fledged medical centres provide facilities for both inpatient and outpatient care and will be equipped with operating theatre, inpatient ward and accident and emergency department in addition to services such as outpatient clinics, radiology room, endoscopy rooms, laboratory, pharmacy and day care beds for the recovery areas.

Notwithstanding, there is no assurance that we can successfully implement our expansion plan or that the new medical centres at other locations will generate the desired revenue to reduce the risk of relying on a single medical centre for our revenue. Please refer to **Section 9.1.9** of this Prospectus in relation to the risk where we may not be able to successfully implement our future plans and strategies.

9.1.3 Our business is subject to and is reliant on the approvals, licenses, permits or certificates issued by the relevant Malaysian authorities

Our business operations as a private healthcare facility or services provider (i.e. medical centre) are bound by federal, state and local laws and rules and regulations imposed by the relevant Malaysian authorities, such as the MOH. In general, laws and regulations applicable to the healthcare industry have become more stringent with penalties and potential liabilities increasing over the years. These laws and regulations could change with the implementation of new laws and regulations or a change in the interpretation of existing laws and regulations could result in substantially similar risks. There is no assurance that our operations and business will not be affected by future legislatives or regulatory policy changes including the following:

- (i) implementation of new laws, regulations and policies by the relevant authorities;
- (ii) changes to current laws, regulations and policies; and/or
- (iii) imposition of additional conditions to the existing approvals, licenses, permits and certificates.

In order for our Group to operate a medical centre in Malaysia, we are required to obtain various regulatory approvals, licenses, permits or certificates with the relevant authorities, in particular the MOH. Our consultants, medical officers, nursing staff and the relevant clinical support staff are required to register and maintain such registration with the MOH in order for them to provide and render their services in our medical centre. The validity of some of these licenses and/or registration are subject to periodical renewal and compliance with the relevant requirements and regulations imposed by the MOH and/or other relevant authorities. As at the LPD, we have obtained all the necessary licences, approvals, and permits to operate our medical centre and we will continue to apply for and to obtain the necessary approvals accordingly. Details of our major licence obtained from MOH to operate our medical centre are set out in **Section 6.7** of this Prospectus.

9. RISK FACTORS (Cont'd)

Further, as we do not own the premises where we operate our medical centre, there are certain certificates which our operation is reliant on third party to obtain or maintain such as fire certificate. Fire certificate is issued by the Fire and Rescue Department of Malaysia ("**Fire and Rescue Department**") to the entire building, Nexus @ Bangsar South and there is no separate or individual fire certificate issued to each of the tenant of the building. As at the LPD, we have been informed by the landlord that the fire certificate had expired on 7 December 2021 and the landlord is in the midst of renewing the said fire certificate. The details of the fire certificate that has expired and is pending approval from the relevant authority is set out below:

No.	Certificate	Expiry Date	Action taken by our Group
1.	Fire certificate issued by the Fire and Rescue Department in respect of Nexus @ Bangsar South pursuant to Regulation 3(1) of Fire Services (Fire Certificate) Regulations 2001 (No. JBPM:KL/8/402/2020)	7 December 2021	<p>An application for the renewal of the fire certificate has been made and the inspection of the building, Nexus @ Bangsar South by the Fire and Rescue Department has taken place on 16 December 2021 ("Inspection").</p> <p>Subsequent to the Inspection, the Fire and Rescue Department has issued a notice dated 20 December 2021 pursuant to Section 29(5) of the Fire Services Act 1988 stating that the facilities for own safety, fire prevention, fire safety and fire protection in the building, Nexus @ Bangsar South as stated in paragraphs (a) to (c) below are not adequate ("Notice").</p> <p>Accordingly, the owner of the building, Nexus @ Bangsar South is required to comply with the following requirements within 120 days from the date of such Notice:</p> <p>(a) To ensure that the <i>isitekan</i> system at staircase no.4 of the second floor functions properly when the fire alarm is activated.</p> <p>(b) To repair the installation system for the fixed gas for wet chemical and ensure that it is linked to the main fire alarm panel for the shops, namely <i>Secret Recipe, Paparich, Street Thai</i> located at the ground floor.</p> <p>(c) To set up the installation system for the fixed gas for wet chemical and ensure it is linked to the main fire alarm panel for the shops, namely <i>Smores, Endo Ichi, Hall of Hof and Chong Qing Steamboat</i> located at the ground floor.</p>

9. RISK FACTORS (Cont'd)

No.	Certificate	Expiry Date	Action taken by our Group
			A fire certificate will be issued once the requirements have been fully complied.
			Notwithstanding, the rectification works/requirements stated under the Notice are not in relation to the space or area occupied by Cengild.
			In this respect, we are of the view that the outstanding rectification works/requirements do not have a material adverse impact to the safety of our employees and patients within the space or area occupied by our medical centre.

While we have not experienced any difficulty in renewing and maintaining the approvals, licenses, permits and certificates required to operate our medical centre in the past, there is no assurance that the MOH or other relevant authorities will renew the same within the anticipated timeframe or at all, and/or without imposing any additional terms and conditions in the future, particularly when there are changes to any requirements, rules and regulations imposed by the MOH or other relevant authorities.

The failure to comply with any additional terms and conditions imposed by the MOH or other relevant authorities (whether due to our Group's past/future actions, activities or operation) can result in the approvals, licenses, permits and certificates required for our operations be revoked, suspended or not renewed, which could have a material adverse effect on our business operations, financial condition and prospects, as well as penalties, fines, potential criminal prosecution being imposed/initiated against us and/or our Directors.

9.1.4 We are highly dependent on our consultants, nursing staff and clinical support staff

Our financial performance is dependent on our ability to attract and retain knowledgeable and skilled consultants, nursing staff and clinical support staff. In addition to competing with other hospitals and healthcare providers in Malaysia to attract such personnel, we may face competition from hospitals and healthcare providers in other countries around the region.

While healthcare professionals may decide to join other hospitals or healthcare providers that have a longer track record or a brand and reputation that are more recognisable compared to ours, we believe that key factors that are important to attract and retain our skilled personnel include brand and reputation of our medical centre and the quality of our medical equipment and facilities. Our medical centre specializes in a single discipline and as such, we have the ability to focus our investment and better equipped our medical centre as compared to healthcare providers with multi-disciplines.

In addition, we have to provide our nursing staff and clinical support staff with attractive remuneration packages. Our inability to offer competitive or better remuneration packages to our nursing staff, and clinical support staff may affect our ability to attract or to retain them. The costs to retain the nursing staff and clinical support staff have increased over the last few years and we expect such costs to continue to increase due to shortage of qualified personnel. If we are unable to attract and retain our consultants, nursing staff and clinical support staff, we may be unable to maintain the quality of our services and may encounter lesser patient volume. This may negatively affect our financial performance and future prospects.

9. RISK FACTORS (Cont'd)**9.1.5 Our revenue is dependent on the provision of inpatient treatments, ancillary services and outpatient care to individual and corporate clients who opt for private healthcare services, all of which may decline due to various factors**

We generate our revenue largely from the provision of inpatient treatment, endoscopic procedures and surgeries. Our ability to attract patients to our medical centre depends on the reputation of our consultants, our ability to attract and retain skilled consultants, our ability to provide the relevant treatment and procedures in an efficient manner, as well as the cost of our services. In addition, we provide outpatient treatment such as consultation for patients, health screening and emergency services as well as ancillary services such as laboratory testing services. Our inability to generate revenue from inpatient treatment, outpatient treatment and ancillary services may affect our financial performance and future prospects.

In addition, we depend on the willingness and financial ability of individual patients and corporate clients to pay for our services. Patients may choose government healthcare services for lower treatment cost compared to ours. Any decrease in demand for private healthcare services may have an adverse effect on our business operation, financial performance and future prospects.

9.1.6 Dependent on certain major suppliers

We are dependent on the following major suppliers for medical supplies and pharmaceutical products as they are the distributor of medical supplies and pharmaceutical products in Malaysia, representing international pharmaceutical companies:

- (i) Zuellig Pharma Sdn Bhd; and
- (ii) DKSH Malaysia Sdn Bhd.

Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd accounted a total of 33.05%, 51.34%, 50.68%, 55.80% and 30.27% of our total purchases for the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 respectively.

As with all private medical centres in Malaysia, we rely on Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd as they are the sole distributor of certain brand of pharmaceutical products and consumable items in Malaysia. If Zuellig Pharma Sdn Bhd and/or DKSH Malaysia Sdn Bhd's distributorship of the pharmaceutical products and consumable items with the relevant brand owners have ceased, such brand owners may require time to appoint new local distributors in their place. Further, if the supply of products from Zuellig Pharma Sdn Bhd and DKSH Malaysia Sdn Bhd are disrupted or ceased or there are changes in our Group's business relationship with them, this may affect our Group's business operations. We may incur additional costs, time and resources to seek alternative supply of sources or products of other brands on terms that are commercially acceptable to us.

As we have developed good business relationships with our major suppliers and we have good payment track records for our purchases, we have not experienced any disruption in medical supplies and pharmaceutical products as at the LPD. However, there can be no assurance that any changes of the abovementioned factors will not have any material adverse impact on our business operations and financial performance.

For further details of these major suppliers, please refer to **Section 7.17** of this Prospectus.

9.1.7 Our medical centre may not have adequate insurance coverage for our future litigation or claims judgement or against natural disasters

Our Group is exposed to potential liability risks such as malpractice or medical negligence claims on account of alleged misconduct or deficiencies in the provision of our services. Any of these alleged misconduct or deficiencies, regardless of their merit or eventual outcome, may

9. RISK FACTORS (Cont'd)

have a material adverse effect on the professional standing and market reputation of our medical centre in terms of the quality of our services and standards of care. The liabilities we face may exceed our insurance coverage or may arise from claims that are outside the scope of our insurance coverage.

Our insurance coverage include, among others, medical malpractice liability; natural disasters such as floods and fires, and public liability in order to protect our business operation. Further, we have purchased and continue to maintain general insurance policies such as fire insurance policies and machinery and equipment insurance policies to insure against our medical equipment. In addition, we have also purchased fire consequential loss insurance. Our medical malpractice liability coverage is RM5.0 million, fire insurance coverage is RM21.4 million, and additional all-risk insurance coverage is RM5.0 million and fire consequential loss insurance coverage is RM60.0 million. There has been no material claim against these insurance policies or instances of damage or loss not covered by our insurance policies in the past.

The above insurance coverage is in addition to the individual malpractice insurance maintained by our consultants for their own medical practice. Our consultants and medical officers have observed and will continue to observe compliance with the relevant laws and regulations for professional indemnity. However, there is no assurance that our insurance coverage is sufficient to cover any damages to our medical centre or business operations, which may result us to incur additional cost that may adversely affect our financial performance and future prospects.

9.1.8 Rental cost for our medical centre will rise which could adversely affect our business

We operate our medical centre at rented premises. Our current tenancy is valid until April 2025 with an option to renew for two (2) successive terms of three (3) years each. Notwithstanding, we have the option to renew the tenancy of our medical centre at the rates as set out in **Section 6.9.2** of this Prospectus, such renewal is still subject to the terms and conditions to be mutually agreed between the landlord and us. As such, if there is an increase in demand in the rented property market which correspondingly increases the market rental rate, there can be no assurance that our landlord will not increase the rental cost for the renewed term. In the event that the rental cost is substantially increased, there can be no assurance that it will not adversely affect our financial performance. During the FYE 2021, we paid a total rental cost of approximately RM1.76 million, which is approximately 14.38%* of our Group's total administrative and other expenses.

Note:

- * With the adoption of MFRS 16, rental cost is no longer recorded in the statements of profit or loss and other comprehensive income. Instead, depreciation of right-of-use assets and interest expense from lease liabilities in relation to rented property are recognised in the statements of profit or loss and other comprehensive income. The percentage shown above is for illustrative purpose only.

Furthermore, the tenancy may be terminated by our landlord if any of the terms of our tenancy were violated. In such circumstances, we will incur relocation costs, including renovation costs, to relocate our medical centre. The total renovation cost which we have incurred for the existing medical centre up to 31 October 2021 was approximately RM14.38 million. We may also be required to incur cost to reinstate the rented premises to its original condition, which is estimated to cost approximately RM0.65 million.

Further, if we are unable to find another location to operate our medical centre and unable to obtain the requisite approvals, licences, permits and certificates required to operate our medical centre, we may be forced to temporarily halt our operations for a period of time. This will affect our business operations, financial performance and future prospects of our Group.

9. RISK FACTORS (Cont'd)

9.1.9 We may not be able to successfully implement our future plans and strategies

We intend to expand our existing medical centre and establish two (2) new full-fledged medical centres in other major cities in Malaysia, as set out in **Section 7.11** of this Prospectus. Such expansions or establishment are capital expenditure intensive and may escalate substantially beyond our budgets, resulting in pressure on our financial performance and cash flows or the expansion plans being no longer feasible.

As part of our expansion plans, we may be opening our new medical centres in locations which we currently have no presence and we may not possess the same level of familiarity with the patient's preference in those locations. We also cannot assure that we will be able to obtain the requisite approvals, licences and permits or recruit or retain a sufficient number of skilled and trained consultants and medical professionals required for our business and operations in those new locations. Any failure by our Group in obtaining the requisite approvals, licences and permits or recruit or retain a sufficient number of skilled and trained consultants and medical professionals or any unforeseen circumstances arising from the new and unfamiliar locations will have material adverse effect on our business prospects.

Further, we may not be able to achieve the desired profitability arising from such expansions. As set out in **Section 12.3.3.3** of this Prospectus, our GP margin for the 4-month FPE 31 October 2021 was lower compared to the 4-month FPE 31 October 2020 partly due to an increase in depreciation of medical equipment as more medical equipment was acquired to support the new operating theatre that was added in FYE 2021. Our future profit and profit margins may be adversely affected with the expansion of our existing medical centre and establishment of new medical centres due to increased depreciation costs arising from renovation of medical centres and purchase of new medical equipment and increased operating expenses. Such new medical centres could also require an initial gestation period before they can contribute positively to our profits going forward.

In addition, if after exhausting all feasible marketing channels and after careful deliberation by the management of our Group that it is no longer feasible to sustain our new medical centres in those new selected location, we may need to close or dispose of the affected medical centre. As such, our investments or losses may require to be written-off.

9.1.10 Our business may be affected by the spread or outbreak of COVID-19 or any other contagious or virulent diseases

The outbreak of COVID-19 or any contagious or virulent disease may potentially affect our business operations. If any of the healthcare professionals and/or employees in our medical centre is infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily suspend our services or shut down our operations for purposes of sanitisation and to contain the spread of such disease.

Please refer to **Section 7.13** of this Prospectus for the impact of COVID-19 to our business operations and the measures and precautions taken by us to continue our operations.

Although the Malaysian government has imposed a nationwide restriction on movements through various MCO periods in 2020 and 2021 to curb the spread of COVID-19, our operations have not been disrupted as we were allowed to continue our operations throughout the various MCO periods. Notwithstanding that we are able to continue our operations, if the number of COVID-19 cases continues to increase or there is a sudden spike in the community, our patients may be reluctant to visit our medical centre for their appointments and check-ups due to the concern of being in a crowded or public space where the risk of being infected with COVID-19 is higher.

9.1.11 We are subject to risk of system failure caused by unexpected network interruptions, security breaches, attack by hackers or computer virus

Our business operation depends significantly on our information system for medical centre administration, management of patient information including medical records and financial information. Our information system may fail due to unexpected network interruptions, security breaches, attacks by hackers or computer virus.

9. RISK FACTORS (Cont'd)

As a precaution and to safeguard and protect our information system against any such events, we have implemented a premises backup and server replication exercise to an off-site location, and conducted penetration test. Notwithstanding that we have put in place such measures and safeguards, there is no assurance that we can successfully protect our information system against such events or maintain the satisfactory performance, reliability, security and availability of our information technology infrastructure.

Further, our operations may be interrupted if our medical centre or information technology infrastructure suspends operations due to the occurrence of events such as fire, flood, hardware and software failure, loss of power, telecommunication failure, terrorist attack or other natural or man-made disasters.

If any of the above events occur, our business operation may be disrupted, thereby damaging our reputation and may adversely affect our business.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 Challenges that may affect the healthcare industry which may also affect our operations

Our Group may be impacted by the challenges faced by the healthcare industry. These factors may include but are not limited to:

- (i) advancements in technology and pharmacology that increase the cost of healthcare or decrease the demand for healthcare;
- (ii) economic and business conditions at national level;
- (iii) changes in demographics;
- (iv) improvement in healthcare services of neighbouring countries that may affect the number of medical tourists in Malaysia;
- (v) unforeseen circumstances that may affect the supply chain and lead to increase in the cost of medical supplies and consumables;
- (vi) tightening of regulations that govern the protection of sensitive and/or confidential patient information from unauthorised disclosure;
- (vii) further tightening of regulations regarding the purchase of medication and pharmaceutical drugs; and
- (viii) potential financial risks and risks to our reputation due to the independent actions of consultants such as malpractice.

Our patient volume and revenue generated at our medical centre are also affected by the economy and seasonal trends such as:

- (i) unemployment levels;
- (ii) number of uninsured and underinsured patients; and
- (iii) recruitment, retention, and attrition of consultants, nursing staff and clinical support staff.

Our inability to effectively manage the challenges in the healthcare industry may lead to a negative effect on our business, financial performance, and our future prospects.

9. RISK FACTORS (Cont'd)**9.2.2 We conduct our business in a heavily regulated industry and changes in laws and regulations may negatively affect our business operations**

We operate in an industry that is highly regulated by MOH. We are required to comply laws and regulations such as standards and guidelines for services, the quality of healthcare professionals, sale of pharmaceutical products, fee and charges, use of medical equipment, occupational health and safety of our healthcare professionals and employees as well as disposal of clinical waste. If our medical centre, healthcare professionals and employees are found to be in breach or violation of the applicable laws and regulations, we may be subjected to fines and penalties, including potentially the loss of our business licences, suspension of use of medical equipment, or suspension or cessation of our business operations.

Further, the changes in laws and regulations may negatively affect our business operations. For instance, changes in minimum requirement for the operation of healthcare facilities may require us to undertake further renovations and refurbishment of our medical centre which may incur substantial capital expenditure.

9.2.3 Our business is sensitive to economic, political, environmental and competitive changes in the country

Our Group's business operations are sensitive to economic, political, environmental, and competitive changes in the country. These may include changes to policies regarding the country's healthcare system, fiscal and monetary policies, insurance payment system, increase competition. We may also be affected by force majeure events such as riots, acts of terrorism, war, epidemics, or natural disasters. These factors may have a negative effect on our business, financial performance, and our future prospects.

9.2.4 Growth of the gastrointestinal and hepatology industry is dependent on availability of gastroenterologist and hepatologist

The growth of the gastrointestinal and hepatology industry may be constrained by insufficient registered gastroenterologist and hepatologist. This may in turn affect the growth prospects of some operators of gastrointestinal services. Gastroenterologist and hepatologist are specialist medical practitioners who are required to undergo specialist training from recognised institutions and registered under the National Specialist Register of Malaysia. Based on the IMR Report, there were 204 specialists in the field of gastroenterology and hepatology registered with the MOH as at the LPD, of which 77 specialists are registered with the public healthcare service providers and 127 are registered with the private healthcare service providers.

9.2.5 We are subject to laws and regulations relating to the personal information of our patients

We are required to comply with the Personal Data Protection Act 2010, which limits the use of personal data of our patients collected by us. We are expected to follow a certain code of conduct for the disclosure of medical information of our patients. We are not allowed to disclose any patient information unless consent is given or under certain specific circumstances. We are also required to have an appropriate patient medical records system that will maintain patient records and to safeguard such records against loss, tampering, or use by unauthorised persons. We cannot guarantee that our confidentiality policies and measures can be completely prevent the leakage of our patient information or being used for improper purposes, which could expose us to potential litigation or a breach of the relevant laws and regulations. These may adversely affect our business operations, financial performance, reputation, and future prospects.

9. RISK FACTORS (Cont'd)

9.2.6 We face competition from other hospital and medical centres

The hospital and healthcare business is highly competitive as we have to compete with government hospitals, private hospitals, and various medical centres in Malaysia. In 2019, there were 347 hospitals in Malaysia out of which 145 are public hospitals and 202 are private hospitals. Based on the IMR Report, there are 14 selected private healthcare service providers collectively operating 72 hospitals that offer gastroenterology and hepatology specialist discipline which are in competition with Cengild. Although our medical centre specialises in gastrointestinal and liver diseases, and obesity, hospitals and medical centres in the public and private sectors are also able to provide similar services and we will have to compete with them based on amongst others, brand recognition, history and track record, the availability of the medical equipment and facilities, cost of services, as well as financial resources.

We may have to compete with public and private hospitals and other medical centres who have greater financial resources than us who may be able to procure inventories on better terms, attract consultants and other healthcare professionals to join them, or procure technologically advanced medical equipment and facilities. Patients may favour our competitors which have established a long track record and a brand that is widely-known. We also have to compete with other hospitals and medical centres on the cost of care, which may force us to reduce the price of our services in order to stay competitive. Additionally, poor patient satisfaction may affect our ability to compete with other hospitals and medical centres. If we are unable to remain competitive, our business operations, financial performance, and future prospects may be adversely affected.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our Final Retail Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) the institutional and selected investors fail to subscribe for their portion of our IPO Shares; and
- (b) Our Sole Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

9. RISK FACTORS (Cont'd)

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS**9.4.1 The sale of a substantial number of our Shares through open market following our Listing could adversely affect our Share price**

Following our Listing, we will have enlarged 818,800,000 Shares, of which 218,800,000 Shares, representing 26.72% of our enlarged issued Shares, will be held by investors participating in our Listing.

Approximately 49.11% held by our Promoters via their direct and/or indirect interests in our Company and will be subject to moratorium for a period of 12 months from the listing date. Approximately 25.78% of our enlarged issued Shares held by our Voluntary Moratorium Shareholders will be subject to moratorium for a period of six (6) months from the listing date.

After the respective moratorium periods end, our Promoters and Voluntary Moratorium Shareholders, may dispose of some or all of our Shares held by them in accordance with their own investment objectives. If our Promoters and Voluntary Moratorium Shareholders sell, or are perceived as intending to sell a substantial amount of our Shares held by them, the market price for our Shares could be adversely affected.

9.4.2 Forward-looking statements in this Prospectus may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including COVID-19 related factors, risks and challenges, which may cause our actual result,

9. RISK FACTORS (Cont'd)

performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

9.4.3 Payment of dividends

Our ability to declare dividends to our shareholders will depend on, among others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on our operating results, capital requirements and on our ability to implement our future plans, demand for and selling prices of our products, general economic conditions, and other factors specific to our industry, many of which are beyond our control. As such, there is no assurance that we will be able to pay dividends to our shareholders.

The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control, and our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect the ability of our subsidiaries, and consequently, our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

For a description of our dividend policy, please refer to **Section 12.8** of this Prospectus.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, there were no existing and/or potential transactions, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, major shareholder and/or persons connected with them which are material to our Group during the Period Under Review and up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Audited				Audited		Between 1 November 2021 up to the LPD (RM'000)
			FYE 2018 (RM'000)	%	FYE 2019 (RM'000)	%	FYE 2020 (RM'000)	%	
Cengild	Interested Director	Acquisition of	*	*	*	*	*	*	*
			-	-	-	-	-	-	-

Acquisition of Cengild.

Interested Director and major shareholder:

- (i) Dato' Dr Tan Huck Joo; and
- (ii) He is our Director and major shareholder and also a director and major shareholder of Cengild Partners, being one of the Cengild Vendors.

Interested Director:

- (i) Emeritus Professor Dato' Dr Goh Khean Lee
- (ii) Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Nature of relationship	Nature of transaction	Audited				Audited		Between 1 November 2021 up to the LPD (RM'000)
			FYE 2018 (RM'000)	%	FYE 2019 (RM'000)	%	FYE 2020 (RM'000)	%	4-month FPE 31 October 2021 (RM'000)
Cengild and Dato' Dr Tan Huck Joo	(iii) They are our Directors and also a director of Cengild Partners, being one of the Cengild Vendors.	(i) Payment of consultancy and treatment fees by Cengild to Dato' Dr Tan Huck Joo for the consultation services provided by Dato' Dr Tan Huck Joo to our patients ⁽¹⁾	1,040	(4)15.59	2,668	(4)17.38	2,666	(4)12.31	420
									(4)3.39
									-
		(ii) Payment of administrative fees by Dato' Dr Tan Huck Joo to Cengild ⁽²⁾	638	(5)5.47	760	(5)2.70	618	(5)1.58	85
									(5)0.70
									(5)0.41
		(iii) External consultant fee retained by Cengild ⁽³⁾	-	-	-	-	-	-	61
									(6)2.75
									238

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Nature of relationship	Nature of transaction	Audited					Audited		Between November 2021 up to the LPD (RM'000)		
			FYE 2018 (RM'000)	%	FYE 2019 (RM'000)	%	FYE 2020 (RM'000)	%	FYE 2021 (RM'000)		%	4-month FPE 31 October 2021 (RM'000)
Cengild and Emeritus Professor Dato' Dr Goh Khean Lee	Interested Director: Emeritus Professor Dato' Dr Goh Khean Lee	(i) Payment of consultancy and treatment fees by Cengild to Emeritus Professor Dato' Dr Goh Khean Lee for the consultation services provided by Emeritus Professor Dato' Dr Goh Khean Lee to our patients ⁽¹⁾	660	(4)9.89	1,675	(4)10.91	1,665	(4)7.69	1,919	(4)5.22	207	(4)1.67
		(ii) Payment of administrative fees by Emeritus Professor Dato' Dr Goh Khean Lee to Cengild ⁽²⁾	146	(5)1.25	148	(5)0.52	135	(5)0.35	128	(5)0.20	16	(5)0.08
		(iii) External consultant fee retained by Cengild ⁽³⁾	-	-	-	-	-	-	-	-	16	(6)0.71
												18

10. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Nature of relationship	Nature of transaction	Audited						Audited		Between 1 November 2021 up to the LPD (RM'000)		
			FYE 2018 (RM'000)	%	FYE 2019 (RM'000)	%	FYE 2020 (RM'000)	%	FYE 2021 (RM'000)	%		4-month FPE 31 October 2021 (RM'000)	%
Cengild and Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	<u>Interested Director:</u> Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	(i) Payment of consultancy and treatment fees by Cengild to Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi for the professional services provided by Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi to our patients ⁽¹⁾	527	(4)7.90	1,212	(4)7.90	1,060	(4)4.89	1,191	(4)3.24	161	(4)1.30	-
		(ii) Payment of administrative fees by Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi to Cengild ⁽²⁾	349	(5)2.99	498	(5)1.77	334	(5)0.85	261	(5)0.41	45	(5)0.22	-
		(iii) External consultant fee retained by Cengild ⁽³⁾	-	-	-	-	-	-	-	-	42	(6)1.92	137

10. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

* Not applicable as this is a one-off transaction pursuant to our internal reorganisation for our Listing. On 11 May 2021, our Company entered into a share sale agreement with Cengild Vendors for the Acquisition and was completed on 28 May 2021.

(1) 80% of the consultancy and treatment fees billed by Cengild to patients were payable to Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee and Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi for the consultation services provided by them to our patients. These transactions arose from previous agreements entered into between Cengild and the consultants, which have been terminated since the consultants have been employed as employee consultants with effect from 1 September 2021. These transactions have since ceased.

(2) The consultants contributed 20% of the income earned by them at other medical centres to us as administrative fees. These transactions arose from previous agreements entered into between Cengild and the consultants, which have been terminated since the consultants have been employed as employee consultants with effect from 1 September 2021. For information purposes, Cengild had previously entered into the following agreements:

- (a) the pioneer consultant agreement with amongst others, Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee and Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi ("**Consultants**") to appoint the Consultants as a gastroenterology and/or hepatology consultant at Cengild. Under the pioneer consultant agreement, the Consultants shall pay to Cengild on monthly basis a percentage of the fees charged by the Consultants to the patients at our medical centre and certain percentage of the professional fees which the Consultants rendered his services at other medical centres to Cengild as administrative fees; and
- (b) the executive service agreement with each of the Consultant respectively to appoint the Consultants to practice as a professional specialist medical executive at Cengild. Under the executive service agreement, the Consultants shall pay a certain percentage of the aggregate of all professional fees and charges imposed and levied by the Consultants at our medical centre and other medical centres to Cengild.

(3) As set out in **Section 11.1.3** of this Prospectus, Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee and Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi as our employee consultants (who are also our Directors) may perform consultation and undertake treatments for their patients in other medical centres. Pursuant to the employment agreements (as amended) and deeds of assignment (as amended) entered into between Cengild and the three (3) employee consultants respectively, as long as these employee consultants are under the employment of our Group:

- (a) the said employee consultants will assign to our Group all the income earned by them in other medical centres; and
- (b) our Group will pay the said employee consultants 80% of the income earned by them in other medical centres.

The 20% of the said income retained by our Group is recognised under our other income.

The abovementioned arrangement is deemed a recurrent related party transaction and will subsist after Listing.

(4) Calculated based on cost of sales for each of the respective financial years/period.

(5) Calculated based on revenue for each of the respective financial years/period.

(6) Calculated based on PAT for 4-month FPE 31 October 2021.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Our Board (save for the Interested Directors) has reviewed all the related party transactions set out above, including the employment agreements, deeds of assignment and the supplemental letters to the employment agreements and deeds of assignment which have been entered into with Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee and Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, and is of the view that they were carried out in the best interest of our Company on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of our minority shareholders.

After the Listing, our Audit Committee will review the arrangement under the employment agreements and deeds of assignment (as supplemented by the supplemental letters) on quarterly basis and ensure that they are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Please refer to **Section 11.1.3** for further information.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12 month period, are entered into with the same party or with parties related to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation / asset or of various parcels of land contiguous to each other.

Upon Listing, our Audit Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

10.2 OTHER TRANSACTIONS**(i) Transactions entered into that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the Period Under Review up to the LPD.

(ii) Loan and financial assistance made to or for the benefit of, or from related parties

Our Board has confirmed that there are no outstanding loans and financial assistance made by us to or for the benefit of any related party for the Period Under Review up to the LPD.

During the Period Under Review, we received advances amounting to RM2.45 million from Cengild Investors and Cengild Partners, being the former shareholders of Cengild. Such advances have been fully settled during the Period Under Review.

11. CONFLICT OF INTEREST**11.1 INTEREST IN SIMILAR BUSINESS OF OUR GROUP AND IN BUSINESSES OF OUR SUPPLIERS****11.1.1 Interest in similar business**

As at the LPD, save as disclosed below, none of our Directors or Substantial Shareholders has any interest, direct or indirect, in other businesses or corporations which are carrying on a similar or related trade as our Group:

Company name	Principal activities	Directors / Substantial Shareholders	Nature of interest	Remarks
Atn Strategic Group Sdn Bhd	To operate as a strategic investment company in health, nutritional and wellness related business, provide management and advisory and related support services to investee companies	Kua Choo Kai	Kua Choo Kai is our Independent Director. He is also the alternate director of Atn Strategic Group Sdn Bhd	Atn Strategic Group Sdn Bhd is the investment holding company of B4ITHappens Sdn Bhd which provides health and wellness services applying nutritional, supplementation and other complimentary methods and sale of related products. Further, Kua Choo Kai is only an alternate director.
Clinic CP Lim Pte Ltd	Cardiology clinic	Anne Marie Loh Foong Han	Anne Marie Loh Foong Han is our Promoter and Substantial Shareholder. She is also the director and substantial shareholder of Clinic CP Lim Pte Ltd.	Clinic CP Lim Pte Ltd owns and operates a cardiology clinic in Singapore.

11. CONFLICT OF INTEREST (Cont'd)

Company name	Principal activities	Directors / Substantial Shareholders	Nature of interest	Remarks
Naluri Hidup Sdn Bhd	Provision of digital health and wellness therapeutic services and behavioural change management programmes that reduces risk of contracting chronic diseases	Dr Chong Su-Lin	Dr Chong Su-Lin is our Independent Non-Executive Director. She is also a director of Naluri Hidup Sdn Bhd.	Naluri Hidup Sdn Bhd is principally involved in the provision of digital health and wellness therapeutic services and behavioural change management programmes that reduces risk of contracting chronic diseases which is preventive in nature and as such, can be distinguished from the type of healthcare related services provided by our Group. In addition, Dr Chong Su-Lin is not a shareholder of Naluri Hidup Sdn Bhd.

Our Board is of the view that the interest of the aforesaid Directors and/or Substantial Shareholders involved in such businesses will not give rise to conflict of interest situation as none of the aforesaid companies are in competition to the business of our Group.

Our Audit Committee will supervise any conflict of interest or potential conflict of interest situation for resolution as and when they arise. As a measure to govern and supervise any potential related party transactions, an internal framework and policy will be adopted by our Board to ensure that any potential related party transactions will be carried out on an arm's length basis. In line with its terms of reference as stated in **Section 5.5.2** of this Prospectus, our Audit Committee will review these potential related party transactions and conflict of interest situation that may arise therefrom.

11. CONFLICT OF INTEREST (Cont'd)

11.1.2 Interest in customers and/or supplier

As at the LPD, none of our Directors or Substantial Shareholders has any interest, direct or indirect, in any entity which is a customer and/or suppliers of our Group.

11.1.3 Consultation by our employee consultants in other medical centres

Our employee consultants, namely Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee, Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ramesh A/L K Gurnathan, Dr Ong Siew Kuen and Dr Mustafa Mohammed Taher, who are also our Directors and/or Key Senior Management, have been engaged by us as consultants during the Period Under Review pursuant to various agreements which were terminated. Subsequently, these employee consultants had on 29 July 2021 entered into employment agreements and deeds of assignment with our Group pursuant to which became our employee consultants with effect from 1 September 2021. Our Group had then on 20 December 2021 entered into supplemental letters with the employee consultants to amend certain terms of the employment agreements and deeds of assignment.

The salient terms of the employment agreements all dated 29 July 2021 (as supplemented by the supplemental letters dated 20 December 2021) entered between Cengild and the employee consultants namely, Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee, Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ramesh A/L K Gurnathan, Dr Ong Siew Kuen and Dr Mustafa Mohammed Taher are as follows:

- (i) Cengild employed each of the employee consultant as medical director, in the case of Dato' Dr Tan Huck Joo, and as head of department in the case of each of the other employee consultant, and to practise in their respective discipline at the medical centre for a period of five (5) years commencing from 1 September 2021 with an option of renewal for a further term of two (2) years subject to the terms and conditions of the employment agreement.
- (ii) The employee consultant's scope of work are, amongst others, as follows:
 - (a) to provide consultation, prescribe medicine, undertake and/or be involved in surgery or procedure within his/her area of specialisation and/or all matters incidental thereto at the medical centre;
 - (b) to carry out the responsibilities as the head of department (save for Dato' Dr Tan Huck Joo, as medical director instead of head of department);
 - (c) to devote his/her time, attention and skills to the performance of his/her duties and use the best effort, judgment and energy to improve and advance the business and interest of Cengild;
 - (d) to provide lectures, talks and/or teaching sessions from time to time to such persons as Cengild may in its sole and absolute discretion designate and notify the Employee Consultant; and
 - (e) to undertake any other duties commensurate with said appointment as Cengild may in its discretion assign during the tenure of engagement with Cengild.

11. CONFLICT OF INTEREST (Cont'd)

- (iii) The employee consultant shall be paid a monthly remuneration (inclusive of taxes and statutory contributions payable by the Company) comprising the following:

- (a) monthly salary as follows:

Employee consultant	Monthly salary
	RM
Dato' Dr Tan Huck Joo	250,000
Emeritus Professor Dato' Dr Goh Khean Lee	80,000
Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	80,000
Dr Ramesh A/L K Gurnathan	40,000
Dr Ong Siew Kuen	40,000
Dr Mustafa Mohammed Taher	250,000

- (b) performance bonus such that the monthly remuneration (comprising monthly salary and performance bonus) shall be 80% of the consultation and treatment fees billed and collected by Cengild from his/her patients.
- (iv) If for any reason whatsoever the employee consultant provides professional services at any other medical facility:
- (a) the employee consultant's earned Income shall be assigned to Cengild provided always that the employee consultant has obtained the approval of Cengild to render his/her professional services at any other medical facility; and
- (b) thereafter, Cengild shall pay the employee consultant 80% of such income earned and assigned by him/her on a monthly basis.

"Income" shall mean any form of emolument received by the employee consultant not limited to earnings, profit, stipend, dividends, wages and/or any form of gratification calculable in monetary terms consequent to the employee consultant having rendered his professional services and/or expertise at any other medical centre, institution or establishment recognised as a medical facility not affiliated to our medical centre.

- (v) Cengild may terminate the employment agreement by written notice of not less than 30 days to the employee consultant upon occurrence of any of the following events:
- (a) the employee consultant is in breach of any terms, conditions, warranties, covenants and/undertakings under the employment agreement;
- (b) in the case of a breach capable of being remedied, the employee consultant does not remedy the same within 30 days' written notice by Cengild to remedy such breach;
- (c) the employee consultant had committed and/or is found guilty of any act of misconduct or negligence of a professional nature by the Malaysian Medical Council or other regulatory body;
- (d) where in the opinion of Cengild, the conduct of the employee consultant is such that would have serious adverse implications against the interests and/or reputation of the medical centre and/or Cengild;
- (e) the employee consultant's registration and/or the annual practicing certificate from the Malaysian Medical Council is revoked, terminated, cancelled, suspended and/or not renewed;

11. CONFLICT OF INTEREST (*Cont'd*)

- (f) the employee consultant is convicted by an order of the court of any offence punishable with an imprisonment term exceeding six (6) months;
 - (g) the employee consultant dies and/or declared to be of unsound mind or professionally incompetent in accordance with the Medical Act 1971; or
 - (h) the employee consultant is declared a bankrupt.
- (vi) The employee consultant may terminate the employment agreement by written notice of not less than 90 days to Cengild upon occurrence of the following event provided always that the employee consultant is not in breach of the material terms of the employment agreement:
- (a) Cengild is in breach of any material term of the employment agreement;
 - (b) in the case of a breach capable of being remedied, Cengild does not remedy the same within 30 days' written notice by the employee consultant to remedy such breach; or
 - (c) Cengild convenes a meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors or a petition is presented or a meeting is convened for the purpose of considering a resolution for the winding up of, or other steps are taken for the making of a winding up order against Cengild (other than for the purpose of any corporate exercise such as a reconstruction or amalgamation of Cengild, corporate restructuring or merger or acquisition unless during or following such reconstruction or amalgamation, Cengild becomes or is declared to be insolvent), Cengild goes into liquidation or a receiving order is made.

The salient terms of the deeds of assignments all dated 29 July 2021 (as supplemented by the supplemental letters dated 20 December 2021) entered between Cengild and the employee consultants namely, Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee, Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ramesh A/L K Gurunathan, Dr Ong Siew Kuen and Dr Mustafa Mohammed Taher are as follows:

- (i) In consideration of Cengild's sanction, authorisation and/or approval for the employee consultant to perform consultation and undertake treatments for their patients in other medical centres, all the employee consultant's earned income from the other medical centres shall be assigned to Cengild whereupon the following shall be applicable during the term of the employee consultant's tenure of engagement with Cengild:
 - (a) the employee consultant as beneficial owner shall assign and/or transfer to Cengild all the employee consultant's rights, title and interest in the earned income from the other medical centres unto Cengild absolutely whereupon the employee consultant shall have no right, title, interest or anything whatsoever in said income and/or any part thereof;
 - (b) any and/or all income generated from the practice of medicine pursuant to the employee consultant performing his duties at any other medical centres are thereafter the sole property of Cengild and the employee consultant specifically disclaims any right, title and/or interest in or to such income; and
 - (c) the employee consultant expressly acknowledges that as from the date of the deed of assignment, that Cengild is the entity entitled to the legal and equitable title and interest in the earned income from the other medical centres.

The deed of assignment shall be further governed by all the terms, conditions, stipulations, agreements and covenants contained in the employment agreement mutatis mutandis.

11. CONFLICT OF INTEREST (Cont'd)

- (ii) The employee consultant's obligations are, amongst others, as follows:
 - (a) the employee consultant shall open, maintain and/or hold an account with a mutually acceptable financial institution and inform/keep informed Cengild of all details and particulars related to the said account including all financial transactions arising therefrom;
 - (b) the employee consultant shall ensure the issuance and execution of a standing instruction to transmit, in its entirety, the earned income from the other medical centres and/or remitted by the other medical centres into the said account which monthly account statement of such deposit(s) shall be submitted to Cengild; and
 - (c) the employee consultant shall issue a standing instruction for the said account to transmit the income from the other medical centres and/or any monies received and deposited into the said account by the other medical centres forthwith and/or immediately upon receipt to Cengild's designated account.
- (iii) Cengild's obligations are, amongst others, as follows:
 - (a) Cengild shall pass a resolution to enable the employee consultant to render his professional services at other medical centres for which professional fees are payable and income occasioned therefrom; and
 - (b) Cengild shall review, approve and pay to the employee consultant equivalent to 80% of the income generated in respect of the professional services performed, rendered and/or discharged by the employee consultant at other medical centres on a monthly basis.

Under the employment agreements, our employee consultants will be allowed to perform consultation and undertake treatments for their patients in other medical centres. Further, under the deeds of assignment, all the income earned* by the employee consultants in other medical centres will be assigned to our Group and 80% of the income earned will be paid to the respective consultants as part of their overall compensation packages. While this arrangement^ is uncommon in the private healthcare industry, it is in the best interest of our Group. Our employee consultants agreed to this arrangement as it is a condition under which they as employees of our Group are allowed to practise in other medical centres. The arrangement is also in the interest of our employee consultants as they are our shareholders and are eligible to the ESOS to be granted in conjunction with our Listing, and therefore their interests are aligned with the interest of our Group.

In respect of our future employee consultants, we may on a case-by-case basis allow them to perform consultation and undertake treatments for their patients in other medical centres, and require all the income earned by them in other medical centres to be assigned to our Group and pay them 80% of such income as part of their overall compensation packages. Such arrangement shall be reviewed by our Audit Committee to ensure that it is in our best interest.

Notes:

* *Save for the monthly income earned from other medical centres by our employee consultants, there are no other monetary compensation or non-monetary benefits for our employee consultants to practice in other medical centres.*

^ *The arrangement refers to the following:*

- (i) *our employee consultants are allowed to perform consultation and undertake treatments for their patients in other medical centres; and*
- (ii) *all the income earned by our employee consultants in other medical centres will be assigned to our Group and 80% of the income earned will be paid to the respective consultants as part of their overall compensation packages.*

11. CONFLICT OF INTEREST (Cont'd)

The compensation packages of our employee consultants comprise the following:

- (i) monthly salary;
- (ii) performance-based bonus such that the monthly salary and performance-based bonus shall collectively be 80% of the consultation and treatment fees billed and collected by Cengild from the patients of the employee consultants; and
- (iii) 80% of the income earned by our employee consultants from other medical centres.

Consultants are typically contracted and not employed by medical centres, and able to practice and provide their services at more than one medical centre. Accordingly, they are not paid a monthly salary and are generally paid for the services based on their consultation and treatment fees. However, the employee consultants are our employees who are generally required to devote all their time to our Group's medical centre. These employee consultants are allowed to practise in other medical centres mainly due to one or more of the following reasons:

- (i) there are insufficient beds in our medical centre to cater for all our employee consultants' patients if our employee consultants were to work full time at our medical centre and not allowed to practice in other medical centres. In this regard, our employee consultants may have to turn away patients because of bed capacity constraint, hence loss of earnings for our Group;
- (ii) the patients of our employee consultants may have other illnesses that require the attention of other specialists, such as a nephrologist and orthopaedic surgeons, currently not available at our medical centre at this juncture. As a result, our employee consultants would have to refer the patients out to other medical centres and hence loss of earnings to our Group. This will also affect the continuity of care for patients concerned; and
- (iii) our medical centre may not be on the panel of certain insurance companies and third party administrators that some other medical centres are on. Due to this reason, some patients who prefer to have their medical bills paid directly by the insurance companies and third party administrators may prefer to have their consultation and treatment performed in other medical centres, and hence loss of earnings to our Group.

Therefore, by allowing our employee consultants to consult and treat patients in other medical centres, our employee consultants can maintain continuity of care for their patients, retain their patients and increase the earnings for our Group, all of which is beneficial to our Group.

11. CONFLICT OF INTEREST (Cont'd)

As at the LPD, the outpatient clinic hours / consultation hours of our employee consultants in other medical centres are as follows:

No.	Employee Consultants	Medical Centre	Day	Outpatient Clinic Hours / Consultation Hours
1.	Dato' Dr Tan Huck Joo	Sunway Medical Centre	Monday Wednesday Friday	9:00 a.m. - 5:00 p.m. 9:00 a.m. - 5:00 p.m. 9:00 a.m. - 5:00 p.m.
2.	Emeritus Professor Dato' Dr Goh Khean Lee	University Malaya Specialist Centre	Tuesday Thursday Saturday	8:30 a.m. - 1:00 p.m. 8:30 a.m. - 11:00 a.m. 8:30 a.m. - 1:00 p.m.
3.	Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	Sunway Medical Centre	Monday Wednesday Friday	9:00 a.m. - 1:00 p.m. 9:00 a.m. - 1:00 p.m. 9:00 a.m. - 1:00 p.m.
4.	Dr Ramesh AVL K Gurunathan	Sunway Medical Centre	Monday Tuesday Wednesday Friday	9:00 a.m. - 5:00 p.m. 1:00 p.m. - 5:00 p.m. 9:00 a.m. - 1:00 p.m. 9:00 a.m. - 5:00 p.m.
5.	Dr Ong Siew Kuen	Sunway Medical Centre	Monday Tuesday Thursday Friday	9:00 a.m. - 1:00 p.m. 9:00 a.m. - 5:00 p.m. 9:00 a.m. - 5:00 p.m. 9:00 a.m. - 1:00 p.m.
6.	Dr Mustafa Mohammed Taher	iHeal Medical Centre	Friday	8:30 a.m. - 11:00 a.m. (By appointment only)

There is no minimum required number of clinical sessions to be maintained by Emeritus Professor Dato' Dr Goh Khean Lee and Dr Mustafa Mohammed Taher at University of Malaya Specialist Centre and iHeal Medical Centre respectively.

11. CONFLICT OF INTEREST (Cont'd)

For Sunway Medical Centre, a minimum of 6 clinical sessions in a week is required for a doctor to be a resident consultant. Dato' Dr Tan Huck Joo Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ramesh A/L K Gurnathan and Dr Ong Siew Kuen are currently resident consultants at Sunway Medical Centre.

At Sunway Medical Centre, a clinical session can be a four (4)-hour outpatient clinic session, or an endoscopy session or operating theatre session scheduled in the morning or afternoon. The consultants' clinical sessions can be any combination of these. In meeting the minimum six (6) clinical sessions in a week, a resident consultant can undertake endoscopies and/or perform surgeries during the outpatient clinic hours and they can also schedule endoscopy sessions or operating theatre sessions outside of their outpatient clinic hours.

As at the LPD, the outpatient clinic hours / consultation hours of our employee consultants in our Group's medical centre are as follows:

No.	Employee Consultants	Day	Outpatient Clinic Hours / Consultation Hours
1.	Dato' Dr Tan Huck Joo	Tuesday	7:30 a.m. - 5:00 p.m.
		Thursday	7:30 a.m. - 5:00 p.m.
		Saturday	7:30 a.m. - 1:00 p.m.
2.	Emeritus Professor Dato' Dr Goh Khean Lee	Monday	8:30 a.m. - 4:30 p.m.
		Wednesday	8:30 a.m. - 4:30 p.m.
		Thursday	1:30 p.m. - 4:30 p.m.
		Friday	8:30 a.m. - 4:30 p.m.
3.	Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	Tuesday	9:00 a.m. - 12:00 p.m.
		Thursday	9:30 a.m. - 12:00 p.m.
		Saturday	9:30 a.m. - 1:00 p.m.
4.	Dr Ramesh A/L K Gurnathan	Tuesday	9:00 a.m. - 12:00 p.m.
		Wednesday	2:30 p.m. - 4:30 p.m.
		Thursday	9:00 a.m. - 5:00 p.m.
		Saturday	9:00 a.m. - 1:00 p.m.

11. CONFLICT OF INTEREST (Cont'd)

No.	Employee Consultants	Day	Outpatient Clinic Hours / Consultation Hours
5.	Dr Ong Siew Kuen	Monday Wednesday Friday Saturday	2:30 p.m. - 4:30 p.m. 8:30 a.m. - 5:00 p.m. 2:30 p.m. - 4:30 p.m. 9:00 a.m. - 1:00 p.m.
6.	Dr Mustafa Mohammed Taher	Friday Saturday	3:00 p.m. - 5:00 p.m. 9:00 a.m. - 1:00 p.m.

Our employee consultants also perform endoscopy sessions and/or operating theatre sessions in addition to the above outpatient clinic hours / consultation hours at our Group's medical centre.

As our employee consultants are also our shareholders, it is in their interest to also devote their time in managing our medical centre and to increase the revenue and earnings of our Group. Our Executive Chairman, Executive Directors and key senior management have confirmed that they are able to discharge their respective duties and obligations as Executive Chairman, Executive Directors and key senior management (where applicable) of our Company despite their clinic hours in both the Group's medical centre and other medical centres as all of them spend time at our medical centre beyond the outpatient clinic hours / consultation hours in our Group's medical centre as set out above to undertake their respective duties and obligations as Executive Chairman, Executive Directors and Key Senior Management (where applicable). Moreover, Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee, Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ramesh A/L K Gurunathan and Dr Mustafa Mohammed Taher are at our medical centre everyday including weekends most of the time. This is supported by the increase in our Group's revenue over the last four (4) financial years and a corresponding reduction in the income generated from other medical centres by our employee consultants.

In addition, our employee consultants have on 20 December 2021 provided irrevocable undertakings ("**Undertakings**") to Cengild that he/she shall not practice at other medical centres:

- (i) after three (3) years from the date of the Listing; or
- (ii) on full commencement of operations at the expanded area of our Group's existing medical centre,

whichever is the earlier, unless written approval from Cengild has been obtained and the following conditions are met:

- (i) he/she only consults and treats patients at other medical centres where such patients have other illnesses that require the attention of other specialists not available at our Group's medical centre*; and
- (ii) he/she shall not practice at other medical centres more than two (2) clinic sessions a week.

11. CONFLICT OF INTEREST (Cont'd)

Note:

* *For example, a patient who develops kidney problems before or in the course of gastrointestinal treatment would need to be treated by a nephrologist. As we do not have a nephrologist at our Group's medical centre, the patient would need to visit other medical centres with nephrologist to seek the relevant treatment.*

By allowing our employee consultants to consult and treat patients at other medical centres (namely Sunway Medical Centre, University Malaya Specialist Centre and iHeal Medical Centre), our employee consultants can maintain continuity of care for their patients.

Our Audit Committee takes note that our employee consultants will be performing consultation and undertake treatments for their patients in other medical centres. To safeguard our interest and the interest of our minority shareholders, we have put in place the following governance structure to manage the conflict of interest situation:

- (i) our employee consultants are required to, on a monthly basis, submit to our Group a monthly payment slip from the other medical centres stating the fees collected by the employee consultants from other medical centres. Our employee consultants shall remit all fees collected from the other medical centres to our Group;
- (ii) our Audit Committee shall conduct a quarterly review and be satisfied that the arrangement for our employee consultants to perform consultation and undertake treatment for their patients in other medical centres is essential and favourable to our Group and that the arrangement is beneficial to our Group and in our best interest as well as not detrimental to the minority shareholders;
- (iii) our Audit Committee shall make recommendations to our Board whether to approve these arrangements. The Interested Directors are required to abstain from voting and deliberating on matters relating to their own employment arrangements; and
- (iv) we shall through our Audit Committee report (to be set out in our annual report) disclose the conflict of interest situations that have arisen for the year and the measures taken to mitigate such conflicts. The disclosures would include the status of compliance by our employee consultants with the Undertakings.

11. CONFLICT OF INTEREST (Cont'd)

We believe that the governance structure to manage the conflict of interest situation as set out above will adequately mitigate the conflict of interest taking into consideration the following:

- (i) the activity that detracts time and commitment from our employee consultants in managing our Group, being the fact that our employee consultants are allowed to work outside of our medical centre is essential and favorable to our Group. There is proper oversight of these activities by our Audit Committee which solely consists of Independent Non-Executive Directors; and
- (ii) our employee consultants will not have other personal financial interests which are in conflict with those of our Group as all fees collected by them from other medical centres will be assigned to our Group.

Our Audit Committee will supervise any conflict of interest or potential conflict of interest situation if any, for resolution as and when they arise. As a measure to govern and supervise potential related party transactions, an internal framework and policy will be adopted by our Board to ensure that potential related party transactions will be carried out on an arm's length basis. In line with its terms of reference as stated in **Section 5.5.2** of this Prospectus, our Audit Committee will review these potential conflict of interest situation that may arise therefrom.

The comparison between the previous agreements and employment agreements and/or deeds of assignment entered into between the employee consultants and our Group are as follows:

	Previous agreements	Employment agreements / deeds of assignment
Percentage of income earned by our employee consultants in other medical centres to be remitted by our employee consultants to our Group	20%	100%
Frequency of payments made to our Group	Monthly	Monthly
Amount retained by our Group	20%	*20%
Accounting recognition of the amount retained by our Group	Revenue under "Others" segment	Other Income

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS**11.2.1 HLIB**

HLIB, its subsidiaries and associated companies as well as its penultimate holding company, namely Hong Leong Financial Group Berhad, and the subsidiaries and associated companies of Hong Leong Financial Group Berhad (collectively, the "**Hong Leong Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

Hong Leong Group may in the future, engage in transactions with and perform services for our Group. In addition, in the ordinary course of business, any member of the Hong Leong Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with our Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Group. This is a result of the business of the Hong Leong Group generally acting independent of each other, and accordingly, there may be situations where parts of the Hong Leong Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group.

11. CONFLICT OF INTEREST (Cont'd)

HLIB has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Bookrunner for our IPO.

11.2.2 Messrs Foong & Partners

Messrs Foong & Partners has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our IPO.

11.2.3 Messrs Crowe Malaysia PLT

Messrs Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as External Auditors and Reporting Accountants for our IPO.

11.2.4 Protégé Associates Sdn Bhd

Protégé Associates Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

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12. FINANCIAL INFORMATION**12.1 HISTORICAL FINANCIAL INFORMATION**

Our Company was incorporated in Malaysia under the Act on 3 February 2021. On 28 May 2021, we completed the Acquisition and Cengild is now our wholly-owned subsidiary. Cengild is assumed to be under common control with our Group since their incorporation.

The historical audited financial information for the Period Under Review presented in this section have been extracted from the Accountants' Report set out in **Section 13** of this Prospectus, which deals with the audited combined financial statements for the FYE 2018 to FYE 2020 and consolidated financial statements for the FYE 2021 and 4-month FPE 31 October 2021.

The statutory financial statements of Cengild, being our subsidiary, for the FYE 2018, FYE 2019 and FYE 2020 was prepared in accordance with the Malaysian Private Entities Reporting Standards ("MPERS"). Nonetheless, for the purpose of the Accountants' Report, the combined financial statements for the Period Under Review have been prepared in accordance with MFRS and IFRS to comply with the requirements under the Prospectus Guidelines.

You should read the historical audited combined and consolidated financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in **Section 12.3** of this Prospectus; and
- Accountants' Report set out in **Section 13** of this Prospectus.

The selected financial information included in this Prospectus is not intended to represent our future financial position, results and cash flows.

12.1.1 Historical audited combined and consolidated statements of profits or loss and other comprehensive income

The summary of our historical audited combined statements of profit or loss and other comprehensive income for the FYE 2018 to FYE 2020 and consolidated statements of profit or loss and other comprehensive income for the FYE 2021 and FPE 31 October 2021 which are extracted from the Accountants' Report and our unaudited combined statements of profits or loss and other comprehensive income for the 4-month FPE 31 October 2020 are set out below.

	<-----Audited----->				Unaudited	Audited
	⁽¹⁾ FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 2020	31 October 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	11,679	28,183	39,180	63,470	20,729	20,524
Cost of sales	(6,673)	(15,351)	(21,665)	(36,791)	(11,941)	(12,375)
GP	5,006	12,832	17,515	26,679	8,788	8,149
Other income	-	-	96	224	120	212
Administrative and other expenses	(7,217)	(9,548)	(10,495)	(12,212)	(3,623)	(4,597)
Finance costs	(1,929)	(1,808)	(1,582)	(1,222)	(450)	(358)
Share of loss of equity accounted joint venture	-	-	-	_(2)	-	-
(LBT)/PBT	(4,140)	1,476	5,534	13,469	4,835	3,406
Taxation	-	-	(1,582)	(3,464)	(1,296)	(1,203)
(LAT)/PAT	(4,140)	1,476	3,952	10,005	3,539	2,203
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense)/income	(4,140)	1,476	3,952	10,005	3,539	2,203

12. FINANCIAL INFORMATION (Cont'd)

	<-----Audited----->				Unaudited	Audited
	(1)FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 2020	31 October 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Loss)/profit attributable to:						
Owners of our Company	(4,140)	1,476	3,952	10,005	3,539	2,203
Non-controlling interest	-	-	-	-	-	-
	(4,140)	1,476	3,952	10,005	3,539	2,203
GP margin (%) ⁽³⁾	42.9	45.5	44.7	42.0	42.4	39.7
EBITDA (RM'000) ⁽⁴⁾	1,501	7,726	11,784	19,490	6,873	5,338
EBITDA margin (%) ⁽⁵⁾	12.9	27.4	30.1	30.7	33.2	26.0
PBT margin (%) ⁽⁶⁾	N/A	5.2	14.1	21.2	23.3	16.6
PAT margin (%) ⁽⁷⁾	N/A	5.2	10.1	15.8	17.1	10.7
Basic and diluted (LPS)/EPS (sen) ⁽⁸⁾	(0.69)	0.25	0.66	1.67	0.59	0.37

Notes:

N/A Not applicable.

(1) Our Group commenced operations in October 2017.

(2) Negligible.

(3) GP margin is computed based on the GP over revenue.

(4) EBITDA is computed as follows:

	<-----Audited----->				Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 2020	31 October 2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PAT/(LAT)	(4,140)	1,476	3,952	10,005	3,539	2,203
<i>Add:</i>						
Taxation	-	-	1,582	3,464	1,296	1,203
Finance cost	1,929	1,808	1,582	1,222	450	358
Depreciation	3,712	4,442	4,668	4,860	1,591	1,618
<i>Less:</i>						
Interest income	-	-	-	(61)	(3)	(44)
EBITDA	1,501	7,726	11,784	19,490	6,873	5,338

(5) EBITDA margin is computed based on the EBITDA over revenue.

(6) PBT margin is computed based on the PBT over revenue.

(7) PAT margin is computed based on the PAT over revenue.

(8) The basic and diluted EPS is calculated based on PAT attributable to owners of our Company divided by our number of issued Shares of 600,000,000 after the completion of Acquisition but prior to our IPO.

12. FINANCIAL INFORMATION (Cont'd)**12.1.2 Historical audited combined and consolidated statements of financial position**

Our historical audited combined statements of financial position as at 30 June 2018, 2019, 2020 and consolidated statements of financial position as at 30 June 2021 as well as 31 October 2021 are extracted from the Accountants' Report.

	Audited as at 30 June				Audited as at
	2018	2019	2020	2021	31 October 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Investment in associates	-	-	-	1	*
Investment in joint venture	-	-	-	-	-
Plant and equipment	20,607	19,681	17,370	15,972	15,006
Right-of-use assets	22,643	20,879	19,114	17,350	16,762
Total non-current assets	43,250	40,560	36,484	33,323	31,768
Current assets					
Inventories	504	883	774	944	1,020
Trade receivables	1,462	2,597	3,426	4,496	4,105
Other receivables, deposits and prepayments	780	573	693	816	902
Current tax asset	-	12	-	-	-
Deposits with financial institution	-	-	-	5,750	9,309
Cash and bank balances	944	1,319	5,714	648	311
Total current assets	3,690	5,384	10,607	12,654	15,647
TOTAL ASSETS	46,940	45,944	47,091	45,977	47,415
EQUITY					
Share capital	-	-	-	12,240	12,240
Invested capital	12,500	12,500	12,500	-	-
Reorganisation reserves	-	-	-	1,530	1,530
Accumulated losses/ retained profits	(8,140)	(6,664)	(2,712)	8	2,211
TOTAL EQUITY	4,360	5,836	9,788	13,778	15,981
Non-current liabilities					
Lease liabilities	23,456	22,902	22,162	21,248	20,700
Bank borrowings	9,132	6,028	2,018	-	-
Total non-current liabilities	32,588	28,930	24,180	21,248	20,700
Current liabilities					
Trade payables	1,425	2,952	3,577	5,301	3,528
Other payables and accruals	3,562	2,473	3,124	2,219	4,601
Amount owing to former holding company	1,100	1,100	1,100	-	-
Amount owing to directors ⁽¹⁾	-	-	-	28	78
Lease liabilities	505	553	741	914	1,208
Bank borrowings	3,400	4,100	4,000	2,018	1,018
Current tax liabilities	-	-	581	471	301
Total current liabilities	9,992	11,178	13,123	10,951	10,734
TOTAL LIABILITIES	42,580	40,108	37,303	32,199	31,434
TOTAL EQUITY AND LIABILITIES	46,940	45,944	47,091	45,977	47,415

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

* Negligible.

(1) Arising from directors' fees and allowances payable to our Independent Non-Executive Directors.

12.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our capitalisation and indebtedness as at 31 January 2022 and on the assumption that our IPO and utilisation of proceeds had occurred on 31 January 2022. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 January 2022 and is provided for illustrative purposes only.

	Unaudited as at 31 January 2022	I After our IPO	II After I and utilisation of proceeds ⁽²⁾
	RM'000	RM'000	RM'000
Capitalisation:			
Shareholders' equity	18,361	90,565	87,661
Total capitalisation	18,361	90,565	87,661
Indebtedness:			
<u>Current</u>			
<u>Unsecured and unguaranteed</u>			
Lease liabilities	1,195	1,195	1,195
<u>Non-current</u>			
<u>Unsecured and unguaranteed</u>			
Lease liabilities	15,470	15,470	15,470
Total indebtedness	16,665	16,665	16,665
Total capitalisation and indebtedness	35,026	107,230	104,326
Gearing ratio (times)⁽¹⁾	0.91	0.18	0.19

Notes:

(1) Calculated based on the total indebtedness divided by total capitalisation.

(2) As at the LPD, there are no purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for the expansion of our existing medical centre, establishing of two (2) new full-fledged medical centres and working capital. As such, the proceeds earmarked for the expansion of our existing medical centre, establishing of two (2) new full-fledged medical centres and working capital are included in the cash and bank balances in the pro forma consolidated statement of financial position.

12. FINANCIAL INFORMATION (Cont'd)**12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis of our financial condition and results of operations for the Period Under Review should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report as set out in **Section 13** of this Prospectus.

The discussion and analysis contain data derived from our audited combined and consolidated financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in **Section 9** of this Prospectus.

12.3.1 Overview of our operations

We are a healthcare provider specialising in the diagnosis and treatment of gastrointestinal and liver disease, and obesity. Our medical centre is located in Nexus @ Bangsar South, Kuala Lumpur. We provide diagnostic and therapeutic facilities with 10 clinics, three (3) endoscopy rooms, 28 beds (including eight (8) day care beds), two (2) operating theatres, radiology department, accident and emergency department, pharmacy, laboratory and central sterile supply department, and various imaging facilities such as fibro scan, ultrasonography, CT scan, fluoroscopy, angiography equipment, endoscope and X-ray machine for Endoscopic Retrograde Cholangiopancreatography. We offer on-site laboratory services, 24-hour outpatient accident and emergency service, health screening, physiotherapy and histopathology services.

Our operations are divided into the following business segments:

(i) Consultant services

Our medical centre offers a comprehensive and diverse range of care and treatment services for gastrointestinal and liver diseases, and obesity. Our services extend to include diagnosis and treatment for gastrointestinal oncology, urology and gynaecology related conditions. We also provide general cardiology assessment as part of our treatment of gastrointestinal and liver diseases.

(ii) Medical management services

Our medical management services support our consultant services with facilities available at our medical centre in order to provide care and comprehensive medical treatments for our patients. This includes our operating theatre which is fully equipped to perform procedures ranging from keyhole surgery to open surgery, a radiology department equipped with diagnostic scans, clinical laboratory where pathology tests are carried out on clinical specimens and a 24-hour blood testing service, a pharmacy department which prepares and dispenses medication, a 24-hour accident and emergency department and inpatient ward. Our medical management services are supported by our medical and nursing services and clinical support services.

(a) Nursing services

Our nurses support our consultants by providing care to our patients when they are admitted to our medical centre and assisting our consultants during various medical procedures. Our nurses are also responsible to ensure that our operating theatre is equipped with the appropriate equipment and supplies, and to assist the consultants during surgical procedures. They also play an imperative role in providing surgical patients with care before, during, and after their surgery. For endoscopic treatment,

12. FINANCIAL INFORMATION (Cont'd)

our nurses are involved in providing pre and post procedure care to our patients undergoing endoscopic procedures and provide support to our consultants during the endoscopic procedure.

(b) Clinical support services

Our clinical support services complement and support our consultants in diagnosing and treating gastrointestinal and liver diseases, and obesity. These services include radiology, pharmacy, laboratory testing, dietetics and nutrition, physiotherapy and medical record services.

Please refer to **Sections 7.3 and 7.4** of this Prospectus for further information on our business overview.

12.3.2 Significant factors affecting our financial position and results of operations

Our financial position and results of operations for the Period Under Review have been affected by the following significant factors:

(i) Our medical centre is highly dependent on employee consultants

Currently, we have six (6) employee consultants specialising in gastrointestinal and liver diseases, and obesity, who are the key revenue drivers for our medical centre. The loss of these employee consultants, without suitable and timely replacement, or the inability to attract, hire and retain suitable candidates as consultants, may result in us being unable to retain our patients or attract new patients, which could negatively affect our business operations, financial performance and future prospects.

Our Group's performance and growth will depend substantially on our ability to retain, attract experienced, reputable and highly trained consultants with track record to join our medical centre as employee consultants by offering attractive remuneration packages such as minimum guarantee income and/or participation in our LTIP. The type of services our Group may provide is partly determined by our employee consultants and the skills which they possess. Our employee consultants have established their own patient bases. If any of them are no longer with our Group, their respective patient bases may choose to seek medical services elsewhere. Our patient base, business, financial condition, results of business operations and prospects may be materially and adversely affected if we cannot attract and retain employee consultants specialising in gastrointestinal and liver diseases, and obesity.

(ii) Our revenue is dependent on the provision of inpatient treatments, ancillary services and outpatient care to individual and corporate clients who opt for private healthcare services, all of which could decline due to a variety of factors

We generate our revenue largely from the provision of inpatient treatment, endoscopic procedures and surgeries. Our ability to attract patients to our medical centre depends on the reputation of our consultants, our ability to attract and retain skilled consultants, our ability to provide the relevant treatment and procedures in an efficient manner, as well as the cost of our services. In addition, we provide outpatient treatment such as consultation for patients, health screening and emergency services as well as ancillary services such as laboratory testing services. Our inability to generate revenue from inpatient treatment, outpatient treatment, and ancillary services is likely to lead to a material adverse effect on our operations and financial performance.

In addition, we depend on the willingness and financial ability of individual patients and corporate clients to pay for our services. Patients may choose government healthcare services for lower treatment cost compared to ours. Any decrease in demand for private

12. FINANCIAL INFORMATION (Cont'd)

healthcare services may have an adverse effect on the business, financial performance and future prospects of our Group.

(iii) Our business is subject to or reliant on approvals, licenses, permits or certificates issued by the relevant Malaysian authorities

As with all private medical centres, we are bound by the federal, state and local laws and rules and regulations set by the relevant Malaysian authorities, such as the MOH. Our operation is reliant on certain regulatory approvals, licenses, permits or certificates granted by the relevant authorities and registration with MOH in which our consultants, medical officers, nursing staff and the relevant clinical support staff are required to maintain, to provide and render their services in our medical centre. The validity of some of these approvals, licenses, permits or certificates are subject to periodical renewal and compliance with the relevant requirements and regulations imposed by the MOH and/or other relevant authorities. As with all private and public medical centres, in the event we are unable to comply with the terms and conditions imposed by the relevant authorities, the approvals, licenses, permits or certificates may be revoked, suspended or not renewed, which could have a material adverse effect on our business operation, financial condition and prospects, as well as penalties, fines, potential criminal prosecution being imposed/initiated against us and/or our directors.

(iv) The spread or outbreak of COVID-19

The spread or outbreak of COVID-19 or any contagious or virulent diseases may potentially affect our financial position and results of operations. The Government of Malaysia has imposed a nationwide restriction on movements through various MCO periods to curb the spread of COVID-19.

The number of endoscopic procedures and surgeries declined significantly during the first MCO period (i.e. from 18 March 2020 to 3 May 2020) due to deferment of medical procedures by patients. This had a negative effect on our revenue and profitability during the same period.

During April 2020, of which the entire month was impacted by the first MCO, we generated significantly lower revenue as compared to the first three months during the year 2020 while a portion of our costs continued to incur. The major cost items which continue to be incurred for April 2020 include:

- (i) depreciation of medical equipment;
- (ii) administrative and other expenses such as depreciation expenses for right-of-use assets and plant and equipment, staff cost and office expenses; and
- (iii) finance costs.

The above major cost items totalled approximately RM1.12 million for April 2020.

Our expenses in relation to medical supplies and consumables were minimal as these expenses are directly correlated to the number of treatments, endoscopic procedures or surgeries performed. In addition, the decrease in revenue for consultant services segment is also accompanied by a decrease in consultant cost to for April 2020.

When Malaysia transitioned into the CMCO in May 2020 followed by RMCO in June 2020, we saw an increase in the number of patients and medical procedures performed during May and June 2020 as a result of pent-up demand from patients who delayed their medical procedures. The number of patients as well as the number of endoscopic procedures and surgeries performed during the FYE 2020 are as set out below:

12. FINANCIAL INFORMATION (Cont'd)

Month	Number of patients	% month-on-month change	Number of endoscopic procedures	% month-on-month change	Number of surgeries	% month-on-month change
July 2019	1,472		516		56	
August 2019	1,484	0.8	490	(5.0)	57	1.8
September 2019	1,250	(15.8)	422	(13.9)	57	-
October 2019	1,615	29.2	540	28.0	59	3.5
November 2019	1,322	(18.1)	457	(15.4)	78	32.2
December 2019	1,535	16.1	563	23.2	89	14.1
January 2020	1,402	(8.7)	415	(26.3)	81	(9.0)
February 2020	1,399	(0.2)	489	17.8	70	(13.6)
March 2020	1,141	(18.4)	336	(31.3)	86	22.9
April 2020	753	(34.0)	196	(41.7)	42	(51.2)
May 2020	1,287	70.9	439	124.0	66	57.1
June 2020	1,786	38.8	624	42.1	101	53.0
Total	16,446		5,487		842	

Despite a decrease in the number of patients and medical procedures during the first MCO period, we did not experience a negative impact on our financial results and net cash from operating activities for the FYE 2020 due to COVID-19. Our quarterly revenue and GP during the FYE 2020 is as set out below:

Quarter ended	Revenue		GP	
	RM'000	% quarter-on-quarter change	RM'000	% quarter-on-quarter change
September 2019	8,738		4,325	
December 2019	10,025	14.7	4,346	0.5
March 2020	10,647	6.2	4,740	9.1
June 2020	9,770	(8.2)	4,102	(13.5)
Total	39,180		17,513	

We continued to see the number of patients at pre-MCO levels through the rest of 2020.

In response to the increasing COVID-19 infection rate, certain states in Malaysia including Selangor and Kuala Lumpur, were placed under the second MCO (i.e. from 11 January 2021 to 4 March 2021) and the country was placed under the third MCO starting from 12 May 2021, followed by a full nationwide lockdown from 1 June 2021 onwards. Through the various stages of MCO during this period and up to the LPD, we did not see a significant reduction in our patient volume and medical procedures performed (save for 7.0% decline in patient volume, 21.7% decline in the number of endoscopic procedures and 3.2% decline in the number of surgeries in the quarter ended September 2021 compared with the quarter ended June 2021) as set out below:

Quarter ended	Average monthly number of patients	% quarter-on-quarter change	Average monthly number of endoscopic procedures	% quarter-on-quarter change	Average monthly number of surgeries	% quarter-on-quarter change
September 2020	1,969		725		107	
December 2020	2,005	1.8	608	(16.1)	122	14.0

12. FINANCIAL INFORMATION (Cont'd)

Quarter ended	Average monthly number of patients	% quarter-on-quarter change	Average monthly number of endoscopic procedures	% quarter-on-quarter change	Average monthly number of surgeries	% quarter-on-quarter change
March 2021	1,975	(1.5)	575	(5.4)	129	5.7
June 2021	2,121	7.4	617	7.3	126	(2.3)
September 2021	1,973	(7.0)	483	(21.7)	122	(3.2)
December 2021	2,358	19.5	681	41.0	137	12.3

The decrease in the number of endoscopic procedures during the quarter ended September 2021 coincided with the sharp rise in COVID-19 infection rate in the months of July and August 2021. Some of the patients may have deferred their endoscopic procedures that do not involve medical emergency during this period. As the daily number of COVID-19 cases in Malaysia began to drop in September 2021 amidst higher vaccination rate, the number of endoscopic procedures and surgeries performed at our medical centre rebounded in the quarter ended December 2021 to an average monthly volume higher than that of the quarter ended June 2021.

(v) Fluctuation in costs

As a healthcare service provider, our operations are subject to increase in expenses due to a number of factors including, but not limited to the following:

- (a) increase in medical supplies and consumables cost mainly from pharmaceutical products, consumables and consignment items;
- (b) increase in administrative and other expenses such as:
 - depreciation expenses from plant and equipment and right-of-use assets for rented premises arising from the adoption of *MFRS 16 - Leases*;
 - staff costs such as salaries and contributions to EPF; and
 - office expenses such as utilities and housekeeping expenses;
- (c) increase in finance costs which comprise interest expenses incurred on term loan, lease liabilities and revolving credit when utilised; and
- (d) changes in statutory laws, regulations or government policies which could lead to an increase in the cost of compliance with such laws, regulations or policies.

The primary categories for our costs of operations as explained above are as follows:

	FYE				4-month FPE
	2018	2019	2020	2021	31 October 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Medical supplies and consumables	1,912	4,219	7,039	12,110	4,142
Administrative and other expenses	7,217	9,548	10,495	12,212	4,597
Finance costs	1,929	1,808	1,582	1,222	358

Any material increase in operating expenses moving forward, will affect our profit margin if we are unable to increase the price of our medical services. As a result, our business and results of operations could be materially and adversely affected.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Consultants who were not employees during the Period Under Review**

During the Period Under Review and prior to 1 September 2021, all our consultants provided services as contracted consultants on a non-exclusive basis to our medical centre and we had no employee consultants. Dato' Dr Tan Huck Joo, Emeritus Professor Dato' Dr Goh Khean Lee, Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi, Dr Ramesh A/L K Gurunathan, Dr Ong Siew Kuen and Dr Mustafa Mohamed Taher (who were our resident consultants prior to 1 September 2021) have entered into employment agreements and deeds of assignment with our Group pursuant to which the said consultants are employees of our Group with effect from 1 September 2021 ("**Employment Agreements**"). As at the LPD, we have 22 other consultants who are not employees of our Group.

Prior to 1 September 2021, the employee consultants were contracted by our Group as consultants during the Period Under Review pursuant to various agreements. During the Period Under Review and prior to 1 September 2021, pursuant to the terms of the agreements they had entered into with our Group:

- (a) the employee consultants contributed a 20% of income earned by them at other medical centres to us as administrative fees, which were recognised as our revenue under the others segment (as set out in **Section 12.3.3.1** of this Prospectus); and
- (b) we paid the employee consultants 80% of the consultation and treatment fees we billed our patients, which were recognised as our consultant costs (as set out in **Section 12.3.3.2** of this Prospectus).

With the termination of aforesaid agreements and execution of the Employment Agreements, our arrangement with the employee consultants will vary as follows:

- (b) we may allow our employee consultants to provide medical services to patients at other medical centres provided that such services are essential and favourable to our Group. All the income earned by our employee consultants at other medical centres will be assigned to our Group and 80% of the said income will be paid to the respective employee consultants as part of their overall compensation packages. Please refer to **Section 11.1.3** of this Prospectus for further details on the said arrangement with our employee consultants. The net amount of income that is retained by our Group will be recognised as our other income; and
- (c) we will pay the employee consultants a remuneration, comprising a fixed monthly salary and performance-based bonus. We pay performance-based bonus to the employee consultants such that their monthly remuneration (comprising the monthly salary and performance-based bonus) is 80% of the consultation and treatment fees we have billed and collected from our patients. The employee consultants' remuneration will be recognised under our cost of sales.

Notwithstanding the variation in our arrangement with the six (6) employee consultants, the compensation of these consultants under the Employment Agreements is effectively the same as that under the previous agreements. We do not expect any material impact on the financial performance of our Group as a result of the variation in our arrangement with the employee consultants.

(vii) Impact of government / economic / fiscal / monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects of the healthcare industry in which we operate. For the Period Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

12. FINANCIAL INFORMATION (Cont'd)**12.3.3 Results of operations**

The components of results of operations of our Group are as follows:

12.3.3.1 Revenue

Our primary source of revenue is categorised into three main segments as follows:

Consultant services

Our revenue for this segment is derived from the consultation and treatment services for gastrointestinal and liver diseases, and obesity as well as selected diagnosis and treatment for gastrointestinal oncology, urology and gynaecology related conditions. We also provide general cardiology assessment as part of our treatment of gastrointestinal and liver diseases.

Medical management services

Our revenue for this segment is derived from the following:

(a) Nursing services

Our revenue for this segment is derived from nursing services for operating theatre, endoscopic procedures, inpatient hospitalisation, accident and emergency services, and central sterile supply department.

(b) Clinical support services

Our revenue for this segment is derived from laboratory testing, radiology examination, sale of pharmaceutical products and medical consumables, and provision of dietetics and physiotherapy services.

Others

Our revenue for this segment comprises contribution by certain resident consultants (namely, our current six (6) employee consultants who were resident consultants prior to 1 September 2021 and one (1) visiting consultant who was a resident consultant during FYE 2018) whereby 20% of income earned by them in other medical centres is contributed to our Group as administrative fee.

We recognise our revenue upon the performance of our services, and upon the delivery and acceptance of our medical supplies and consumables, which include pharmaceutical products, by our patients.

The fees charged to our patients vary depending on the types of consultation and treatment procedures, types of imaging facilities used, length of consultation, complexity of surgeries and the length of stay in our ward.

Our revenue is mainly dependent on the following factors:

- (i) nature, type, duration and complexity of consultation and treatment procedures;
- (ii) our ability to attract and retain experienced and qualified consultants;
- (iii) our ability to maintain a good reputation in providing diagnosis and treatment for gastrointestinal and liver diseases and obesity;
- (iv) our ability to deliver and maintain a good relationship with our patients and our consultants;
- (v) our ability to maintain our position as a preferred medical centre for diagnosis and treatment of gastrointestinal and liver disease and obesity with major insurance companies;

12. FINANCIAL INFORMATION (Cont'd)

(vi) our ability to attract more patients through referrals from our patients, and through our marketing initiatives such as health awareness talks and advertisements; and

(vii) change in government policies and regulations.

Our revenue by business segment for the Period Under Review is as follows:

	<-----Audited----->								Unaudited		Audited	
									4-month FPE 31 October			
	FYE 2018		FYE 2019		FYE 2020		FYE 2021		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Consultant services	3,439	29.5	9,377	33.3	13,410	34.2	23,401	36.9	7,566	36.5	7,608	37.0
Medical management services												
• Nursing services	3,179	27.2	7,739	27.4	11,805	30.1	19,793	31.2	6,699	32.3	6,175	30.1
• Clinical support services	3,320	28.4	9,062	32.2	12,370	31.6	19,140	30.1	6,095	29.4	6,541	31.9
	6,499	55.6	16,801	59.6	24,175	61.7	38,933	61.3	12,794	61.7	12,716	62.0
Others	1,741	14.9	2,005	7.1	1,595	4.1	1,136	1.8	369	1.8	200*	1.0
Total	11,679	100.0	28,183	100.0	39,180	100.0	63,470	100.0	20,729	100.0	20,524	100.0

Note:

* During the Period Under Review and prior to 1 September 2021, certain resident consultants (namely, our current six (6) employee consultants who were resident consultants prior to 1 September 2021 and one (1) visiting consultant who was a resident consultant during FYE 2018) contributed 20% of income earned by them at other medical centres to us as administrative fees, which were recognised as our revenue under the others segment.

With effect from 1 September 2021, pursuant to the Employment Agreements, all the income earned by our six (6) employee consultants at other medical centres will be assigned to our Group and 80% of the said income will be paid to the respective employee consultants. The 20% income that is retained by our Group will be recognised as our other income.

During the 4-month FPE 31 October 2021, we recorded revenue under the others segment of approximately RM200,000 and other income of approximately RM162,000 attributable to the income earned by our employee consultants from the other medical centres.

Our revenue for the Period Under Review was mainly generated from the medical management services segment, which contributed approximately 55.6%, 59.6%, 61.7%, 61.3%, 61.7% and 62.0% respectively of our total revenue for the FYE 2018, FYE 2019, FYE 2020, FYE 2021, 4-month FPE 31 October 2020 and 4-month FPE 31 October 2021 respectively.

Our revenue from the others segment was derived from the contribution by certain resident consultants (namely our current six (6) employee consultants who were resident consultants prior to 1 September 2021 and one (1) visiting consultant who was a resident consultant during FYE 2018) of 20% of income earned by them at other medical centre to our Group as administrative fee. The contribution from the others segment (namely contribution by certain resident consultants of a fixed percentage of income earned by them at other medical centres to our Group as administrative fee) to our total revenue declined from 14.9% in FYE 2018 to 1.8% in FYE 2021 mainly due to less patients seen by our consultants in other medical centres compared to our medical centre. This can be seen from the increasing trend in the revenue from consultation services segment and decreasing trend in the revenue from others segment. The contribution from the others segment to our total revenue declined from 1.8% in 4-month FPE 31 October

12. FINANCIAL INFORMATION (Cont'd)

2020 to 1.0% in 4-month FPE 31 October 2021 mainly due to the variation in our arrangement with the six (6) employee consultants with effect from 1 September 2021.

The contribution by each of our six (6) employee consultants to our total revenue for the Period Under Review is as follows:

Contribution to our total revenue	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2020		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dato Dr Tan Huck Joo	3,634	31.1	9,936	35.3	11,271	28.8	14,082	22.2	5,178	25.0	4,687	22.8
Emeritus Professor Dato' Dr Goh Khean Lee	1,915	16.4	4,352	15.4	5,333	13.6	6,324	10.0	2,244	10.8	771	3.8
Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	1,740	14.9	4,431	15.7	5,075	13.0	5,775	9.1	1,812	8.7	1,598	7.8
Dr Ramesh A/L K Gurunathan	1,173	10.0	4,597	16.3	4,488	11.5	4,404	6.9	1,651	8.0	1,371	6.7
Dr Ong Siew Kuen	524	4.5	1,247	4.4	1,387	3.5	2,658	4.2	1,365	6.6	749	3.6
Dr Mustafa Mohammed Taher	-	-	-	-	6,389	16.3	20,416	32.2	6,373	30.7	6,956	33.9
Total	8,986	76.9	24,563	87.1	33,943	86.7	53,659	84.6	18,623	89.8	16,132	78.6

The contribution by each of our six (6) employee consultants to our revenue for others segment for the Period Under Review is as follows:

Contribution to our revenue for Others segment	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2020		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dato Dr Tan Huck Joo	638	36.7	760	37.9	618	38.7	444	39.1	144	39.0	85	42.5
Emeritus Professor Dato' Dr Goh Khean Lee	146	8.4	148	7.4	135	8.5	128	11.3	41	11.1	16	8.0
Dr Mohamed Akhtar Bin Mohamed Ditali Qureshi	349	20.1	498	24.8	334	20.9	261	23.0	84	22.8	45	22.5
Dr Ramesh A/L K Gurunathan	277	15.9	290	14.5	242	15.2	211	18.6	67	18.2	39	19.5
Dr Ong Siew Kuen	195	11.2	309	15.4	238	14.9	91	8.0	33	8.9	15	7.5
Dr Mustafa Mohammed Taher	-	-	-	-	27	1.7	-	-	-	-	-	-
Total	1,605	92.3	2,005	100.0	1,595	100.0	1,135	100.0	369	100.0	200*	100.0

Note:

* During the Period Under Review and prior to 1 September 2021, certain resident consultants (namely, our current six (6) employee consultants who were resident consultants prior to 1 September 2021 and one (1) visiting consultant who was a resident consultant during FYE 2018) contributed 20% of income earned by them at other medical centres to us as administrative fees, which were recognised as our revenue under the others segment.

With effect from 1 September 2021, pursuant to the Employment Agreements, all the income earned by our six (6) employee consultants at other medical centres will be assigned to our Group and 80%

12. FINANCIAL INFORMATION (Cont'd)

of the said income will be paid to the respective employee consultants. The 20% income that is retained by our Group will be recognised as our other income.

During the 4-month FPE 31 October 2021, we recorded revenue under the others segment of approximately RM200,000 and other income of approximately RM162,000 attributable to the income earned by our employee consultants from the other medical centres.

Based on the above, the contribution by the employee consultants to our total revenue under consultant services segment has been on an increasing trend while their contribution to our revenue for "Others" segment has been on a decreasing trend. This demonstrated that our employee consultants have been seeing more patients in our medical centre as compared to other medical centres.

During the Period Under Review, all of our revenue was generated in Malaysia and contributed solely by Cengild.

The number of patients who have visited our medical centre during the Period Under Review is as follows:

FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2020	4-month FPE 31 October 2021
5,011	13,204	16,446	24,210	7,860	8,247

The contribution to our revenue by local patients versus foreign patients and inpatient care services versus outpatient care services for the Period Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE 31 October 2020		4-month FPE 31 October 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local patients	9,795	98.2	25,486	97.4	35,749	95.1	60,333	96.8	19,935	97.9	19,662	96.7
Foreign patients	179	1.8	692	2.6	1,835	4.9	2,002	3.2	425	2.1	662	3.3
Total (excluding others segment*)	9,974	100.0	26,178	100.0	37,584	100.0	62,335	100.0	20,360	100.0	20,324	100.0
Inpatient^	8,263	83.2	22,518	86.0	32,998	87.8	56,389	90.5	18,483	90.8	18,327	90.2
Outpatient	1,675	16.8	3,660	14.0	4,586	12.2	5,946	9.5	1,877	9.2	1,997	9.8
Total (excluding others segment*)	9,938	100.0	26,178	100.0	37,584	100.0	62,335	100.0	20,360	100.0	20,324	100.0

Notes:

* Comprising contribution by certain resident consultants (namely, our current six (6) employee consultants who were resident consultants prior to 1 September 2021 and one (1) visiting consultant who was a resident consultant during FYE 2018) whereby 20% of the consultation and treatment fees earned by them in other medical centres is contributed to our Group as administrative fee.

^ Including procedures that only require day care treatment.

Commentary**FYE 2019 compared with FYE 2018**

Our revenue increased by RM16.50 million or 141.3% from RM11.68 million for the FYE 2018 to RM28.18 million for the FYE 2019 mainly due to recognition of the full year revenue from our medical centre for the FYE 2019 as our medical centre only commenced operations in October 2017, and our consultants seeing more patients at our medical centre. The increase in revenue was mainly attributed to:

12. FINANCIAL INFORMATION (Cont'd)

- (i) the increase in revenue from our consultant services segment by RM5.94 million or 172.7% to RM9.38 million for FYE 2019 (FYE 2018: RM3.44 million) mainly due to the increase in our new patient volume for FYE 2019 (FYE 2019: 4,198 new patients compared to FYE 2018: 2,471 new patients);
- (ii) the increase in revenue from medical management services segment by RM10.30 million or 158.5% to RM16.80 million for FYE 2019 (FYE 2018: RM6.50 million) mainly due to the following:
 - (a) the increase in revenue for nursing services by RM4.56 million or 143.4% to RM7.74 million for FYE 2019 (FYE 2018: RM3.18 million) mainly due to the increase in the number of endoscopic procedures performed during the FYE 2019 (FYE 2019: approximately 4,460 procedures compared to FYE 2018: approximately 1,960 procedures) and increase in the number of surgeries performed during the FYE 2019 (FYE 2019: 570 surgeries compared to FYE 2018: 210 surgeries);
 - (b) the increase in revenue for clinical support services by RM5.74 million or 173.0% to RM9.06 million for FYE 2019 (FYE 2018: RM3.32 million) mainly due to the following in tandem with the increase in number of endoscopic procedures and surgeries:
 - (aa) the increase in the sales of pharmaceutical products and medical and surgical supplies such as disposable hemoclip, sterile gowns, contrast injector kits and cold snare; and
 - (bb) the increase in revenue for laboratory testing as patients are normally required to undergo certain diagnostic testing prior to or after endoscopic procedures or surgeries.

FYE 2020 compared with FYE 2019

Our revenue increased by RM11.00 million or 39.0% to RM39.18 million for the FYE 2020 from RM28.18 million for the FYE 2019 mainly due to our existing consultants seeing more patients at our medical centre and the recruitment of six (6) new consultants in FYE 2020. The increase in revenue was mainly attributed to:

- (i) the increase in revenue from our consultant services segment by RM4.03 million or 43.0% to RM13.41 million for FYE 2020 (FYE 2019: RM9.38 million) mainly attributed to the increase in our new patient volume for FYE 2020 (FYE 2020: 4,693 new patients compared to FYE 2019: 4,198 new patients);
- (ii) the increase in revenue from our medical management services segment by RM7.37 million or 43.9% to RM24.17 million for the FYE 2020 (FYE 2019: RM16.80 million) mainly due to the following:
 - (a) the increase in revenue for nursing services by RM4.07 million or 52.5% to RM11.81 million for FYE 2020 (FYE 2019: RM7.74 million) mainly due to the increase in the number of surgeries performed during the FYE 2020 (FYE 2020: approximately 840 surgeries compared with FYE 2019: approximately 570 surgeries); and
 - (b) the increase in revenue for clinical support services by RM3.31 million or 36.5% to RM12.37 million for FYE 2020 (FYE 2019: RM9.06 million) mainly due to the increase in the sales of pharmaceutical products and medical and surgical supplies such as surgical gowns, medical tubing and biopsy forceps in tandem with the increase in the number of endoscopic procedures and surgeries performed by us. For the FYE 2020, we performed approximately 5,490 endoscopic procedures (FYE 2019: approximately 4,460 procedures).

12. FINANCIAL INFORMATION (Cont'd)**FYE 2021 compared with FYE 2020**

Our revenue increased by RM24.29 million or 62.0% from RM39.18 million for the FYE 2020 to RM63.47 million for the FYE 2021 mainly due to the full 12 months contribution by Dr Mustafa Mohammed Taher who joined us during FYE 2020 and our existing consultants seeing more patients at our medical centre. We recorded a higher contribution by Dr Mustafa Mohammed Taher to our total revenue for the FYE 2021 at 32.2% (FYE 2020: 16.3%) as he performed higher number of surgeries during FYE 2021 (FYE 2021: 752 surgeries compared with FYE 2020: 236 surgeries). The increase in revenue was mainly attributed to:

- (i) the increase in revenue from our consultant services segment by RM9.99 million or 74.5% to RM23.40 million for the FYE 2021 (FYE 2020: 13.41 million) was mainly attributed to the increase in our new patient volume for FYE 2021 (FYE 2021: 6,258 new patients compared to FYE 2020: 4,693 new patients); and
- (ii) the increase in revenue from medical management services segment by RM14.76 million or 61.1% to RM38.93 million for the FYE 2021 (FYE 2020: RM24.17 million) was mainly due to the following:
 - (a) the increase in revenue for nursing services by RM7.99 or 67.7% to RM19.79 million for the FYE 2021 (FYE 2020: RM11.81 million) mainly due to the increase in the number of surgeries performed during the FYE 2021 (FYE 2021: approximately 1,450 surgeries compared with FYE 2020: approximately 840 surgeries); and
 - (b) the increase in revenue for clinical support services by RM6.77 million or 54.7% to RM19.14 million for the FYE 2021 (FYE 2020: RM12.37 million) mainly due to the increase in the sales of pharmaceutical products and medical and surgical supplies such as surgical gowns, medical tubing and biopsy forceps in tandem with the increase in the number of endoscopic procedures and surgeries performed by us. For the FYE 2021, we performed approximately 7,570 endoscopic procedures (FYE 2020: approximately 5,490 procedures).

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our revenue decreased slightly by RM0.21 million or 1.0% from RM20.73 million for the 4-month FPE 31 October 2020 to RM20.52 million for the 4-month FPE 31 October 2021 mainly due to the decrease in number of endoscopic procedures performed by us (4-month FPE 31 October 2021: approximately 2,120 procedures compared with 4-month FPE 31 October 2020: approximately 2,790 procedures). Due to the sharp rise in COVID-19 infection rate in the months of July and August 2021, some of the patients may have deferred their endoscopic procedures that do not involve medical emergency during this period. The decrease in revenue was mainly attributed to the following:

- (i) the decrease in revenue from our medical management services segment by RM0.08 million or 0.6% to RM12.72 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM12.79 million) mainly due to the decrease in revenue for nursing services by RM0.52 million or 7.8% to RM6.18 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM6.70 million) mainly as a result of the decrease in the number of endoscopic procedure performed in 4-month FPE 31 October 2021.

However, the decrease in revenue for medical management services segment was partly offset by the increase in the revenue for clinical support services by RM0.45 million or 7.3% to RM6.54 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM6.10 million). The increase in revenue for clinical support services was mainly due to the following in tandem with the increase in the number of surgeries performed by us (4-month FPE 31 October 2021: approximately 510 surgeries compared with 4-month FPE 31 October 2020: approximately 440 surgeries):

12. FINANCIAL INFORMATION (Cont'd)

- (a) the increase in the sales of pharmaceutical products and medical and surgical supplies; and
 - (b) the increase in revenue for laboratory testing; and
- (ii) the decrease in revenue from others segment by RM0.17 million or 45.8% to RM0.20 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM0.37 million) mainly due to the variation in our arrangement with the six (6) employee consultants with effect from 1 September 2021. Arising from the new arrangement with employee consultants, during 4-month FPE 31 October 2021, we recorded other income of RM0.16 million from the assignment of income earned by our employee consultants at other medical centres (after deducting 80% of such income paid to the respective employee consultants as part of their overall compensation packages). Please refer to **Section 12.3.3.4** of this Prospectus for further details on the said other income.

12.3.3.2 Cost of sales**Consultant costs**

Consultant costs are the consultation fees paid to our consultants. We bill our patients for all medical services rendered, including consultation with our consultants, and subsequently we pay our consultants a portion of the fees received. The consultation fees paid to our consultants generally vary as it depends on the number of patients consulted by our respective consultants. We expect the consultant costs will increase in the near future, in view of our plan to recruit more new consultants to join our medical centre.

Medical supplies and consumables

The medical supplies and consumables comprise mainly the following:

- (i) Pharmaceutical products;
- (ii) Consumable and disposable items such as sterile gowns, disposable hemoclip, contrast injector kit and cold snare; and
- (iii) Consignment items mainly comprising surgical instrument and medical devices, such as ligasure and surgical stapler used in operating theatre, which are supplied and stored at our medical centre. Our suppliers will carry out a stock take and replenish the consignment items once a month. Subsequently, invoice will be issued by our suppliers based on the quantity used.

We expect medical supplies and consumables expenses to increase as our patient volume increases. In addition, the demand for medical supplies and consumables may increase in tandem with the increase in volume of cardiology, urology and oncology services. The supply shortage for certain personal protective equipment during the COVID-19 pandemic have resulted in cost price adjustments especially for items that are high in demand such as antigen rapid test kit, face masks and gloves.

Laboratory cost

We have made arrangement with Gribbles Pathology (Malaysia) Sdn Bhd, being a private provider of diagnostic laboratory services for our in-house laboratory testing where we incurred laboratory cost. As our medical services grow and we serve more patients, the laboratory cost will increase correspondingly.

12. FINANCIAL INFORMATION (Cont'd)**Other operating expenses**

Other operating expenses consist of room related cost, food and beverages for our inpatients, medical gases, dietitian and physiotherapist cost, ambulance services, repair and maintenance cost on medical equipment and credit card commission. We expect these expenses to increase in the future, as we foresee an increase in patient volume when our expansion plan materialises.

Depreciation of medical equipment

Our depreciation expenses on the medical equipment are generally fixed, and these costs are expected to increase as more medical equipment may be acquired to support the provision of our medical services and procedures in tandem with our expansion plan.

The breakdown of our cost of sales for the Period Under Review is as follows:

	<-----Audited----->								Unaudited		Audited	
	FYE 2018		FYE 2019		FYE 2020		FYE 2021		4-month FPE		31 October	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	2020		2021	
Consultant cost ⁽¹⁾	2,916	43.7	8,117	52.9	11,348	52.4	19,832	53.9	6,368	53.3	4,081	33.0
Consultant payroll ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	2,421	19.5
Medical supplies and consumables	1,912	28.7	4,219	27.5	7,039	32.5	12,110	32.9	4,050	33.9	4,142	33.5
Laboratory cost	281	4.2	715	4.7	914	4.2	1,647	4.5	504	4.2	563	4.5
Other operating cost	337	5.0	715	4.6	647	3.0	1,207	3.3	387	3.3	477	3.9
Depreciation of medical equipment	1,227	18.4	1,585	10.3	1,717	7.9	1,995	5.4	632	5.3	691	5.6
Total	6,673	100.0	15,351	100.0	21,665	100.0	36,791	100.0	11,941	100.0	12,375	100.0

Note:

- (1) Prior to 1 September 2021, our six (6) employee consultants (who were resident consultants prior to 1 September 2021) were paid 80% of the consultation and treatment fees we billed our patients, which were recognised under our consultant costs. With effect from 1 September 2021, the employee consultants are paid monthly salary and performance-based bonus, which are recognised under consultant payroll instead of consultant cost.

Commentary**FYE 2019 compared with FYE 2018**

Our cost of sales increased by RM8.68 million or 130.1% from RM6.67 million for the FYE 2018 to RM15.35 million for the FYE 2019 mainly due to the following:

- (i) increase in medical supplies and consumables by RM2.31 million or 120.7% to RM4.22 million for FYE 2019 (FYE 2018: RM1.91 million), which is in line with the increase in the endoscopic procedures and surgeries performed by us during the FYE 2019; and
- (ii) increase in consultant costs by RM5.20 million or 178.4% to RM8.12 million in FYE 2019 (FYE 2018: RM2.92 million), which is in tandem with the increase in the revenue generated from our consultant services segment.

12. FINANCIAL INFORMATION (Cont'd)**FYE 2020 compared with FYE 2019**

Our cost of sales increased by RM6.31 million or 41.1% from RM15.35 million for the FYE 2019 to RM21.67 million for the FYE 2020 was mainly due to the following:

- (i) increase in medical supplies and consumables by RM2.82 million or 66.8% to RM7.04 million for the FYE 2020 (FYE 2019: RM4.22 million), which was in line with the increase in the endoscopic procedures and surgeries performed by us during the FYE 2020; and
- (ii) increase in consultant costs by RM3.23 million or 39.8% to RM11.35 million for the FYE 2020 (FYE 2019: RM8.12 million), which was in tandem with the increase in our revenue generated from our consultant services segment.

FYE 2021 compared with FYE 2020

Our cost of sales increased by RM15.13 million or 69.8% from RM21.66 million for the FYE 2020 to RM36.79 million for the FYE 2021 mainly due to the following:

- (i) increase in medical supplies and consumables by RM5.07 million or 72.0% to RM12.11 million for the FYE 2021 (FYE 2020: RM7.04 million), which was mainly due to the increase in endoscopic procedures and surgeries performed by us during the FYE 2021; and
- (ii) increase in consultant costs by RM8.48 million or 74.8% to RM19.83 million for the FYE 2021 (FYE 2020: RM11.35 million), which was in tandem with the increase in our revenue generated from our consultant services segment.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our cost of sales increased by RM0.44 million or 3.7% from RM11.94 million for the 4-month FPE 31 October 2020 to RM12.38 million for the 4-month FPE 31 October 2021 was mainly due to the following:

- (i) increase in the operating cost of our accident and emergency department by RM0.09 million 103.4% to RM0.18 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM0.09 million) mainly due to the recruitment of two (2) additional full-time medical officers during the FYE 2021 required to support the increase in the number of patients received by our accident and emergency department (4-month FPE 31 October 2021: approximately 1,600 patients compared with 4-month FPE 31 October 2020: 780 patients);
- (ii) increase in the medical supplies and consumable cost by RM0.09 million 2.3% to RM4.14 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM4.05 million) mainly due to an increase in the number of surgeries performed by us (4-month FPE 31 October 2021: approximately 510 surgeries compared with 4-month FPE 31 October 2020: approximately 440 surgeries), which resulted in higher cost for consumables and consignment items;
- (iii) increase in depreciation of medical equipment by RM0.06 million or 9.4% to RM0.69 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM0.63 million) as more medical equipment was acquired to support the new operating theatre that was added in FYE 2021; and
- (iv) increase in the aggregate of consultant costs and consultant payroll by RM0.13 million or 2.1% to RM6.50 million for the 4-month FPE 31 October 2021 (4-month FPE 31 October 2020: RM6.37 million), which was in tandem with the increase in our revenue generated from our consultant services segment.

12. FINANCIAL INFORMATION (Cont'd)**12.3.3.3 GP and GP margin**

Our GP and GP margin by business segment for the Period Under Review are as follows:

	<-----Audited----->								Unaudited		Audited	
									4-month FPE 31 October			
	FYE 2018		FYE 2019		FYE 2020		FYE 2021		2020		2021	
GP	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Consultant services	523	10.4	1,260	9.8	2,062	11.8	3,569	13.4	1,198	13.6	1,106	13.6
Medical management services	2,742	54.8	9,567	74.6	13,858	79.1	21,975	82.4	7,221	82.2	6,843	83.9
Others	1,741	34.8	2,005	15.6	1,595	9.1	1,135	4.2	369	4.2	200	2.5
Total	5,006	100.0	12,832	100.0	17,515	100.0	26,679	100.0	8,788	100.0	8,149	100.0

	<-----Audited----->				Unaudited	Audited
					4-month FPE 31 October	
GP margin	FYE 2018	FYE 2019	FYE 2020	FYE 2021	2020	2021
	%	%	%	%	%	%
Consultant services	15.2	13.4	15.4	15.3	15.8	14.5
Medical management services	42.2	56.9	57.3	56.4	56.4	53.8
Others*	100.0	100.0	100.0	100.0	100.0	100.0
Overall GP margin	42.9	45.5	44.7	42.0	42.4	39.7

Note:

* The others segment has no associated cost.

Commentary**FYE 2019 compared with FYE 2018**

Our GP increased by RM7.83 million or 156.3% from RM5.01 million for the FYE 2018 to RM12.83 million for the FYE 2019. For the FYE 2019, our GP was mainly derived from medical management services segment (RM9.57 million or 74.6%), followed by others segment comprising administrative fees (RM2.01 million or 15.6%), and lastly by consultant services segment (RM1.26 million or 9.8%). The increase in our GP was in line with the increase in our sales revenue during the same period.

Our overall GP margin increased by 2.6% from 42.9% in FYE 2018 to 45.5% in FYE 2019 mainly due to the decrease in our cost of sale under the medical management services segment in view of the lower average cost for the medical supplies and consumable items purchased arising from bulk purchase discount, promotional package and/or minimum order rebates. However, the increase in GP margin was partially offset by the lower GP contribution from others segment as a percentage of total GP. The others segment has no associated cost and therefore has a higher GP margin (at 100%) compared to consultant services segment and medical management services segment. Under the others segment, the administrative fees contributed by certain resident consultants from their income earned in other medical centres increased by 15.2% from FYE 2018 to FYE 2019 reflecting full financial year impact of this income as our Group only commenced operations in October 2017. However, these administrative fees were lower as a percentage of our total GP as the consultants saw more patients at our medical centre.

12. FINANCIAL INFORMATION (Cont'd)

The GP margin for the consultant services segment decreased by 1.8% from 15.2% in FYE 2018 to 13.4% in FYE 2019 mainly due to the higher number of consultants who joined us in FYE 2019. These consultants do not contribute any GP margin as our Group does not deduct any fee from their consultation and treatment fees.

FYE 2020 compared with FYE 2019

Our GP increased by RM4.68 million or 36.5% from RM12.83 million for the FYE 2019 to RM17.51 million for the FYE 2020. For the FYE 2020, our GP was mainly derived from medical management services segment (RM13.86 million or 79.1%), followed by consultant services segment (RM2.06 million or 11.8%), and lastly by others segment (RM1.60 million or 9.1%). The increase in our GP was in line with the increase in our revenue during the same period.

Our overall GP margin decreased slightly by 0.8% from 45.5% in FYE 2019 to 44.7% in FYE 2020 mainly due to lower GP contribution from others segment which has a higher GP margin (at 100%) compared to consultant services segment and medical management services segment as the others segment has no associated cost. The lower GP contribution from others segment was attributed to lesser administrative fees contributed by certain resident consultants from their income earned by them in other medical centres as they saw more patients at our medical centre. The decrease in overall GP margin was partly offset by the increase in GP margin from medical management services segment attributable to lower average cost for the medical supplies and consumable items purchased due to bulk purchase discounts and rebates.

The GP margin for the consultation services segment increased by 2.0% from 13.4% in FYE 2019 to 15.4% in FYE 2020 mainly due to the contribution from Dr Mustafa Mohammed Taher who joined us in FYE 2019 and is required to contribute administrative fees from his consultation and treatment fee to our Group.

FYE 2021 compared with FYE 2020

Our GP increased by RM9.16 million or 52.3% from RM17.52 million for the FYE 2020 to RM26.68 million for the FYE 2021. For the FYE 2021, our GP was mainly derived from medical management services segment (RM21.98 million or 82.4%), followed by consultant services segment (RM3.57 million or 13.4%), and lastly by others segment (RM1.14 million or 4.2%). The increase in our GP was in line with the increase in our revenue during the same period.

Our overall GP margin decreased by 2.7% from 44.7% for the FYE 2020 to 42.0% for the FYE 2021 mainly due to the following:

- (i) the decrease in GP margin for medical management services segment mainly due to higher revenue contribution from certain surgeries performed that were offered to patients in promotional packages to attract more patients to our medical centre, which yielded lower margin compared to other medical procedures; and
- (ii) lower GP contribution from others segment which has a higher GP margin (at 100%) compared to consultant services segment and medical management services segment as the others segment has no associated cost. The lower GP contribution from others segment was attributed to lesser administrative fees contributed by certain resident consultants from income earned by them in other medical centres as they saw more patients at our medical centre.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our GP decreased by RM0.64 million or 7.3% from RM8.79 million for the 4-month FPE 31 October 2020 to RM8.15 million for the 4-month FPE 31 October 2021. For the 4-month FPE 31 October 2021, our GP was mainly derived from medical management services segment (RM6.84 million or 83.9%), followed by consultant services segment (RM1.11 million or 13.6%), and lastly

12. FINANCIAL INFORMATION (Cont'd)

by others segment (RM0.20 million or 2.5%). The decrease in our GP was in line with the decrease in our revenue during the same period.

Our overall GP margin decreased by 2.7% from 42.4% in 4-month FPE 31 October 2020 to 39.7% in 4-month FPE 31 October 2021 mainly due to the following:

- (i) the decrease in GP margin for consultant services segment mainly due to payment of monthly salary to Emeritus Professor Dato' Dr Goh Khean Lee while he was on leave of absence due to medical reasons since 24 August 2021. His leave of absence was subsequently extended without pay with effect from 1 November 2021;
- (ii) the decrease in GP margin for medical management segment, which was mainly due to the following:
 - (a) our offering of promotional packages for certain surgeries at discounted price in the 4-month FPE 31 October 2021 to attract patients to our medical centre in the said period during which Malaysia has been affected by the sharp rise in COVID-19 infection rate;
 - (b) increase in operating cost of our accident and emergency department mainly due to the recruitment of two (2) additional full-time medical officers during the FYE 2021 to support the increase in the number of patients received by our accident and emergency department; and
 - (c) increase in depreciation of medical equipment as more medical equipment was acquired to support the new operating theatre that was added in FYE 2021.

12.3.3.4 Other income

Our other income comprised mainly the following:

- (i) interest income from our deposits placed with financial institution;
- (ii) management fees charged to our joint venture for the provision of management and administrative services;
- (iii) income earned by our employee consultants at other medical centres and assigned to our Group pursuant to the Employment Agreements (after deducting 80% of such income paid to the respective employee consultants as part of their overall compensation packages); and
- (iv) others which consist of wage subsidy programme from SOCSO as a result of the COVID-19 pandemic situation.

We adopt the accrual method as part of our accounting policies, where transactions are recognised at the time they are incurred.

12. FINANCIAL INFORMATION (Cont'd)

Our other income for the Period Under Review is as follows:

	<-----Audited----->								Unaudited		Audited									
	FYE 2018				FYE 2019				FYE 2020				FYE 2021				4-month FPE 31 October			
	RM'000		%		RM'000		%		RM'000		%		RM'000		%		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	-	-	-	-	-	-	-	-	61	27.2	2	1.7	44	20.8						
Management fee income	-	-	-	-	-	-	-	-	6	2.7	1	0.8	3	1.4						
External consultant fee *	-	-	-	-	-	-	-	-	-	-	-	-	162	76.4						
Others	-	-	-	-	96	100.0	157	70.1	117	97.5	3	1.4								
Total	-	-	-	-	96	100.0	224	100.0	120	100.0	212	100.0								

Note:

* Prior to 1 September 2021, certain resident consultants (namely, our current six (6) employee consultants who were resident consultants prior to 1 September 2021) contributed 20% of income earned by them at other medical centres to us as administrative fees, which were recognised as our revenue under the others segment.

With effect from 1 September 2021, pursuant to the Employment Agreements, all the income earned by our six (6) employee consultants at other medical centres will be assigned to our Group and 80% of the said income will be paid to the respective employee consultants. The 20% income that is retained by our Group will be recognised as our other income.

During the 4-month FPE 31 October 2021, we recorded revenue under the others segment of approximately RM200,000 and other income of approximately RM162,000 attributable to the income earned by our employee consultants from the other medical centres.

Commentary**FYE 2019 compared with FYE 2018**

There was no other income generated for both FYE 2018 and FYE 2019.

FYE 2020 compared with FYE 2019

For the FYE 2020, our other income was generated from the wage subsidy programme from SOCSO as a result of the COVID-19 pandemic situation.

FYE 2021 compared with FYE 2020

For the FYE 2021, our other income increased by RM0.13 million or 133.3% from RM0.09 million in the FYE 2020 to RM0.22 million in the FYE 2021. The increase was mainly due to wage subsidy programme from SOCSO as a result of the COVID-19 pandemic situation and interest income from our deposits placed with financial institution.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

For the 4-month FPE 31 October 2021, our other income increased by RM0.09 million or 76.7% from RM0.12 million in the 4-month FPE 31 October 2020 to RM0.21 million in the 4-month FPE 31 October 2021.

12. FINANCIAL INFORMATION (Cont'd)

The increase in other income was mainly due to the following:

- (a) external consultant fee arising from the assignment by our employee consultants of the income earned by them at other medical centres with effect from 1 September 2021. No external consultant fee was recorded under our other income during the 4-month FPE 31 October 2020; and
- (b) higher interest income due to the increase in deposits placed with financial institution.

The increase in other income was partly offset by the absence of income from wage subsidy programme from SOCSO, which we recorded during the 4-month FPE 31 October 2020.

12.3.3.5 Administrative and other expenses

Our administrative and other expenses mainly comprised staff costs and welfare, depreciation of assets such as right-of-use assets for rented premises and renovation, office expenses, insurance, repair and maintenance expenses, and marketing expenses.

The breakdown of our administrative and other expenses for the Period Under Review are as follows:

	<-----Audited----->								Unaudited		Audited	
									4-month FPE 31 October			
	FYE 2018		FYE 2019		FYE 2020		FYE 2021		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	2,870	39.7	4,629	48.6	5,454	52.0	6,350	52.0	1,930	53.2	2,271	49.4
Professional fees	47	0.7	40	0.4	60	0.6	891	7.3	13	0.4	674	14.7
Depreciation of right-of-use assets, and plant and equipment	2,485	34.4	2,857	29.9	2,951	28.0	2,865	23.5	960	26.5	927	20.2
Repair and maintenance	183	2.5	161	1.7	262	2.5	176	1.4	62	1.7	35	0.8
Office expenses ⁽¹⁾	1,477	20.5	1,380	14.5	1,311	12.5	1,415	11.6	463	12.8	519	11.2
Insurance	85	1.2	137	1.4	218	2.1	274	2.2	93	2.6	101	2.2
Travelling expenses	43	0.6	79	0.8	84	0.8	85	0.7	22	0.5	33	0.7
Marketing and promotion	27	0.4	33	0.3	144	1.4	156	1.3	80	2.3	32	0.7
Others ⁽²⁾	-	-	232	2.4	11	0.1	-	-	-	-	5	0.1
Total	7,217	100.0	9,548	100.0	10,495	100.0	12,212	100.0	3,623	100.0	4,597	100.0

Notes:

- (1) Our office expenses mainly comprised utilities, housekeeping expenses, printing and stationery, security expenses and information technology related expenses.
- (2) Other expenses are write-off of hospital information system (FYE 2019: RM229,000) that has since been replaced, loss on disposal of medical equipment, namely a diathermy machine used in operating theatre that has been replaced with a new one with added functionalities (FYE 2020: RM10,000), bad debts write-off (FYE 2019: RM3,000; FYE 2020: RM1,000; 4-month FPE 31 October 2021: negligible amount) and impairment of goodwill on a subsidiary (4-month FPE 31 October 2021: RM5,000).

12. FINANCIAL INFORMATION (Cont'd)**Commentary****FYE 2019 compared with FYE 2018**

Our administrative and other expenses increased by RM2.33 million or 32.3% from RM7.22 million for the FYE 2018 to RM9.55 million for the FYE 2019. The increase in administrative and other expenses was mainly due to the full financial year impact of these expenses as our Group only commenced operations in October 2017, the increase in staff cost arising from the annual salary increment as well as increase in staff head count required to support the increase in our patient volume and medical services provided.

FYE 2020 compared with FYE 2019

Our administrative and other expenses increased by RM0.95 million or 9.9% from RM9.55 million for the FYE 2019 to RM10.50 million for the FYE 2020. The increase in administrative and other expenses was mainly due to the increase in staff cost which was mainly attributed to annual salary increment and increase in staff head count primarily for our inpatient nursing team to support the activation of additional 10 beds.

FYE 2021 compared with FYE 2020

Our administrative and other expenses increased by RM1.71 million or 16.4% from RM10.50 million in the FYE 2020 to RM12.21 million in the FYE 2021. The increase in administrative and other expenses was mainly due to the following:

- (i) increase in staff costs as a result of increase in staff head count required to support the increase in our patient volume and medical services provided; and
- (ii) professional fees associated with the Listing.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our administrative and other expenses increased by RM0.97 million or 26.8% from RM3.62 million in the for 4-month FPE 31 October 2020 to RM4.60 million in the for 4-month FPE 31 October 2021. The increase in administrative and other expenses was mainly due to the following:

- (i) professional fees associated with the Listing; and
- (ii) increase in staff costs mainly attributable to the increase in staff head count primarily for our nursing division.

12. FINANCIAL INFORMATION (Cont'd)

The breakdown of new staff employed during the Period Under Review is as follows:

Category	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2020	4-month FPE 31 October 2021
Medical:						
• Medical officer (full time)	-	-	1	2	-	1
• Nurses	26	13	19	13	8	14
• Clinical support	10	-	6	7	1	1
Non-Medical:						
• Key Senior Management	2	-	1	1	1	-
• Finance	2	-	1	1	-	-
• Business Office	5	8	7	6	1	3
• Administration and human resource	2	-	-	-	-	1
• Marketing and customer care	4	5	1	2	-	-
• Others (Information technology, maintenance and purchasing, Clinic Assistant, Nursing Clerk and CSSD)	16	5	11	8	3	5
Total number of new staff employed	67	31	47	40	14	25

12.3.3.6 Finance costs

Our finance costs mainly comprised the interest expenses from our lease liabilities, bank borrowings and revolving credit.

Our term loan was drawn down mainly to finance the purchase of our medical equipment whereas our revolving credit was to fund our working capital requirements. Our lease liabilities are arising from the rental of our medical centre premises.

Our finance costs for the Period Under Review are as follows:

	<-----Audited----->								Unaudited		Audited	
									4-month FPE 31 October			
	FYE 2018		FYE 2019		FYE 2020		FYE 2021		2020		2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank charges	*	*	*	*	5	0.3	1	0.1	*	*	*	*
Revolving credit interest	203	10.5	68	3.8	17	1.1	-	-	-	-	-	-
Term loan interest	637	33.0	671	37.1	518	32.7	205	16.8	108	24.0	27	7.5
Lease interest	1,089	56.5	1,069	59.1	1,042	65.9	1,016	83.1	342	76.0	331	92.5
Total	1,929	100.0	1,808	100.0	1,582	100.0	1,222	100.0	450	100.0	358	100.0

Note:

* Negligible

12. FINANCIAL INFORMATION (Cont'd)

Please refer to **Section 12.4.3** of this Prospectus for further details on our borrowings.

Commentary**FYE 2019 compared with FYE 2018**

Our finance costs decreased by RM0.12 million or 6.3% from RM1.93 million in the FYE 2018 to RM1.81 million in the FYE 2019 mainly due to the repayment of our revolving credit during the FYE 2019.

FYE 2020 compared with FYE 2019

Our finance costs decreased by RM0.23 million or 12.5% from RM1.81 million in the FYE 2019 to RM1.58 million in the FYE 2020 mainly due to the repayment of our term loan and revolving credit during the FYE 2020.

FYE 2021 compared with FYE 2020

Our finance costs decreased by RM0.36 million or 22.8% from RM1.58 million in the FYE 2020 to RM1.22 million in the FYE 2021 mainly due to the repayment of our term loan during the FYE 2021.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our finance costs decreased by RM0.09 million or 20.4% from RM0.45 million in the 4-month FPE 31 October 2020 to RM0.36 million in the 4-month FPE 31 October 2021 mainly due to the repayment of our term loan during the FYE 2021 and 4-month FPE 31 October 2021.

12.3.3.7 (LBT)/PBT and PBT margin

Our (LBT)/PBT and PBT margin for the Period Under Review are as set out below:

	<-----Audited----->				Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2020	4-month FPE 31 October 2021
(LBT)/PBT (RM'000)	(4,140)	1,476	5,534	13,469	4,835	3,406
PBT margin (%)	N/A*	5.2	14.1	21.2	23.3	16.6

Note:

* Not applicable as our Group recorded losses during the year.

Commentary**FYE 2019 compared with FYE 2018**

We recorded LBT of RM4.14 million for the FYE 2018 mainly due to low revenue and GP base during the start-up phase of our medical centre, which were insufficient to cover our operating expenses (namely administrative and other expenses, and finance costs), as we only commenced operation in October 2017. We recorded PBT of RM1.48 million for the FYE 2019 as compared to LBT of RM4.14 million for the FYE 2018 mainly due to higher revenue and GP base in FYE 2019 to cover our operating expenses. We recorded a PBT margin of 5.2% for the FYE 2019 (FYE 2018: nil).

12. FINANCIAL INFORMATION (Cont'd)**FYE 2020 compared with FYE 2019**

Our PBT increased by RM4.06 million or 274.9% from RM1.48 million for the FYE 2019 to RM5.53 million for the FYE 2020 mainly due to higher GP from our medical management services segment during the FYE 2020.

Our PBT margin increased by 8.9% to 14.1% for FYE 2020 (FYE 2019: 5.2%) mainly due to the lower percentage of increase in administrative and other expenses as compared to the percentage of increase in revenue.

FYE 2021 compared with FYE 2020

Our PBT increased by RM7.94 million or 143.4% from RM5.53 million in the FYE 2020 to RM13.47 million in the FYE 2021 mainly due to the increase in revenue and GP from our medical management services segment during the FYE 2021.

Our PBT margin increased by 7.1% from 14.1% in the FYE 2020 to 21.2% in the FYE 2021 mainly because our total administrative and other expenses in FYE 2021 only increased marginally despite a significant increase in our revenue for FYE 2021.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our PBT decreased by RM1.43 million or 29.6% from RM4.84 million in the 4-month FPE 31 October 2020 to RM3.41 million in the 4-month FPE 31 October 2021 mainly due to the decrease in revenue and GP from our medical management services segment coupled with the higher administrative and other expenses in the 4-month FPE 31 October 2021.

Our PBT margin decreased by 6.7% from 23.3% in the 4-month FPE 31 October 2020 to 16.6% in the 4-month FPE 31 October 2021 mainly due to lower GP margin for our consultant services segment and medical management segment as well as higher percentage of increase in our administrative and other expenses as compared to the percentage of increase in revenue.

12.3.3.8 Taxation

Our taxation and our effective tax rates for the Period Under Review are as follows:

	<-----Audited----->				Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2020	4-month FPE 31 October 2021
					2020	2021
Taxation (RM'000)	-	-	1,582	3,464	1,296	1,203
Effective tax rate (%)	-	-	28.6	25.7	26.8	35.3
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0	24.0

Our Group is subject to income tax at the applicable statutory tax rates in Malaysia.

During the Period Under Review, 100% of our revenue was derived in Malaysia, as such, we are not subject to any withholding tax.

Commentary**FYE 2019 compared with FYE 2018**

Our Group did not record any tax expenses for the FYE 2018 and FYE 2019 as our Group did not have any chargeable income for FYE 2018 and our Group had utilised prior year tax losses and unabsorbed capital allowances for the FYE 2019.

12. FINANCIAL INFORMATION (Cont'd)**FYE 2020 compared with FYE 2019**

Our tax expenses was approximately RM1.58 million for the FYE 2020 (FYE 2019: nil) attributable to taxable income recorded for the FYE 2020.

Our effective tax rate for the FYE 2020 was 28.6% which was higher than the statutory tax rate of 24% mainly due to the effects of non-deductible expenses such as depreciation of non-qualifying assets, legal fees and loss of RM10,000 on disposal of medical equipment, namely a diathermy machine used in operating theatre that has been replaced with a new one with added functionalities.

FYE 2021 compared with FYE 2020

Our tax expenses increased by RM1.88 million or 119.0% from RM1.58 million for the FYE 2020 to RM3.46 million for the FYE 2021 mainly due to higher taxable profit for the FYE 2021.

Our effective tax rate for the FYE 2021 was 25.7% which was higher than the statutory tax rate of 24.0% mainly due to the effects of non-deductible expenses such as depreciation of non-qualifying assets and legal fees.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our tax expenses decreased by RM0.09 million or 7.2% from RM1.30 million for the 4-month FPE 31 October 2020 to RM1.20 million for the 4-month FPE 31 October 2021 mainly due to lower taxable profit for the 4-month FPE 31 October 2021.

Our effective tax rate for the 4-month FPE 31 October 2021 was 35.3% which was higher than the statutory tax rate of 24.0% mainly due to the effects of non-deductible expenses such as professional fees associated with the Listing, directors' remuneration, depreciation of non-qualifying assets and other professional fees.

12.3.3.9 (LAT)/PAT and PAT margin

Our (LAT)/PAT and PAT margin for the Period Under Review are as set out below:

	<-----Audited----->				Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2020	4-month FPE 31 October 2021
(LAT)/PAT (RM'000)	(4,140)	1,476	3,952	10,005	3,539	2,203
PAT margin (%)	N/A*	5.2	10.1	15.8	17.1	10.7

Note:

* Not applicable as our Group recorded losses during the year.

Our PAT and PAT margin were generally consistent with the growth in PBT and PBT margin during the Period Under Review after taking into account the effects of income tax expense.

12.3.3.10 Exceptional and extraordinary items

There were no exceptional and extraordinary items for the Period Under Review.

12. FINANCIAL INFORMATION (Cont'd)**12.3.3.11 Significant changes on the financial position**

Saved as disclosed in **Section 12.3.2** of this Prospectus, there are no other significant changes that have occurred, which may have a material effect on our financial position and result since 31 October 2021 and up to the LPD.

12.4 LIQUIDITY AND CAPITAL RESOURCES**12.4.1 Working capital**

Our working capital is funded through cash generated from the operations, credit facilities extended to us by a financial institution as well as our existing cash and cash equivalents.

As at 30 June 2018, 2019 and 2020, we recorded net current liabilities mainly due to the use of our cash generated from operations as well as bank borrowings and shareholders' advances to fund for our capital expenditures. These capital expenditures were mainly renovation of our existing medical centre and acquisition of medical equipment. However, as at 30 June 2021 and 31 October 2021, we recorded net current assets position of RM1.70 million and RM 4.91 million respectively.

Our Board confirms that we will have sufficient working capital for the next 12 months from the date of this Prospectus after taking into consideration the following factors:

- (i) Our Group generated positive cash flow from operating activities for the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 of RM5.59 million, RM7.07 million, RM11.24 million, RM14.30 million, and RM4.85 million, respectively;
- (ii) As at 31 October 2021, we had deposit with financial institution of RM9.31 million and cash and bank balances of approximately RM0.31 million;
- (iii) Based on the pro forma statement of financial position of our Group as at 31 October 2021, after taking into consideration the gross proceeds of RM72.20 million that we expect to raise from the IPO, our net current asset position will improve from RM4.91 million to RM73.75 million (after deducting RM4.70 million estimated listing expenses);
- (iv) Our upcoming major capital expenditure for the expansion of our existing medical centre and the establishment of new medical centres as set out in **Section 7.11** of this Prospectus;
- (v) Our unutilised banking facility comprising revolving credit and letter of credit of up to a total limit of RM2.0 million;
- (vi) Our gearing ratio (including lease liabilities recognised under MFRS 16) has been decreasing from 8.37 times as at 30 June 2018 to 1.43 times as at 31 October 2021 and gearing ratio (excluding lease liabilities recognised under MFRS 16) has been decreasing from 2.87 times as at 30 June 2018 to 0.06 times as at 31 October 2021;
- (vii) The impact of COVID-19 pandemic on our Group as disclosed in **Section 7.13** of this Prospectus; and
- (viii) Dividends amounting to RM7.28 million declared and paid in the FYE 2021. Our Board will not declare or pay any dividend until the completion of the IPO.

12. FINANCIAL INFORMATION (Cont'd)**12.4.2 Cash flow summary**

The summary of our combined statements of cash flows for FYE 2018, 2019 and 2020 and consolidated statements of cash flows for the FYE 2021 and FPE 31 October 2021 is as follows and should be read in conjunction with the Accountants' Report as set out in **Section 13** of this Prospectus.

	<-----Audited----->				Audited 4-month FPE 31 October
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	5,589	7,072	11,238	14,298	4,851
Net cash used in investing activities	(4,487)	(1,981)	(603)	(3,638)	(820)
Net cash used in financing activities	(695)	(4,716)	(6,240)	(11,976)	(1,612)
Net increase / (decrease) in cash and cash equivalents	407	375	4,395	(1,316)	2,419
Cash and cash equivalents at the beginning of the financial year / period	371	778	1,153	5,548	4,232
Cash and cash equivalents at the end of the financial year / period	778	1,153	5,548	4,232	6,651
Cash and cash equivalents comprised the following:					
Cash and bank balances	944	1,319	5,714	648	311
Deposits with financial institution	-	-	-	5,750	9,309
Pledged of bank as security	(166)	(166)	(166)	(166)	(1,166)
Deposits with tenure more than 3 months	-	-	-	(2,000)	(1,803)
	778	1,153	5,548	4,232	6,651

Our cash and cash equivalents are held in RM. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and any applicable banking restrictive covenants, there are no legal, financial or economic restrictions on our existing subsidiary's ability to transfer funds to our Company in the form of cash dividends, loans or advances.

Commentary**FYE 2018*****Net cash from operating activities***

For the FYE 2018, we recorded net cash from operating activities of RM5.59 million. Our cash inflows mainly comprised the collection from our customers of RM10.22 million and advances from Cengild Investors and Cengild Partners, both being the former shareholders of our subsidiary, of RM2.45 million*.

Note:

- * The advances from Cengild Investors and Cengild Partners were interest-free and repayable on demand to support our cashflow requirements.

The above cash inflows were partly offset by cash payment of RM7.30 million during the FYE 2018 mainly due to the following:

12. FINANCIAL INFORMATION (Cont'd)

- (i) payment for purchases for our business operation of RM3.44 million; and
- (ii) payment for staff costs of RM2.82 million which include salaries, EPF contribution and other staff-related benefits.

Net cash used in investing activities

For the FYE 2018, we recorded net cash used in investing activities of RM4.49 million mainly due to the following:

- (i) payment of RM2.03 million for the purchase of medical equipment such as endoscopic ultrasound machine;
- (ii) payment of RM1.18 million for the purchase of furniture and fittings, office equipment and computer software system; and
- (iii) payment of RM1.28 million for the renovation of our medical centre.

The above purchases and renovation were to cater for the setting up of our medical centre during our first year of operation.

Net cash used in financing activities

For the FYE 2018, we recorded net cash used in financing activities of RM0.70 million mainly due to the following:

- (i) payment of RM0.45 million for our lease liabilities and RM1.09 million in interest expenses for our lease liabilities in accordance with *MFRS 16 - Leases*; and
- (ii) payment of RM0.84 million for interest expenses in respect of our term loan and revolving credit;

which were partly offset by drawdown of term loan of RM1.68 million to part-finance the purchase of our medical equipment and office renovation.

FYE 2019***Net cash from operating activities***

For the FYE 2019, we recorded net cash from operating activities of RM7.07 million. Our cash inflow mainly comprised the collection from our customers of RM27.04 million.

The above cash inflows were partly offset by cash payment of RM20.19 million during the FYE 2019 mainly due to the following:

- (i) payment for purchases for our business operation of RM12.62 million; and
- (ii) payment for staff costs of RM4.17 million which include salaries, bonuses, EPF contribution and other staff-related benefits.

Net cash used in investing activities

For the FYE 2019, we incurred a net cash outflow in our investing activities of RM1.98 million mainly due to the following:

- (i) payment of RM1.24 million for the purchase of medical equipment, electrical equipment, furniture and fitting and computer software system for our operating theatre and inpatient ward; and

12. FINANCIAL INFORMATION (Cont'd)

- (ii) payment of RM0.74 million for renovation of our medical centre mainly due to the variation order claims by our contractor for the renovation carried out in FYE 2018.

Net cash used in financing activities

For the FYE 2019, we recorded net cash used in financing activities of RM4.72 million mainly due to the following:

- (i) payment of RM0.50 million for our lease liabilities and RM1.07 million in interest expenses for our lease liabilities in accordance with *MFRS 16 - Leases*;
- (ii) repayment of term loan and revolving credit facilities amounting to RM2.40 million. The term loan was used to fund the purchase of our medical equipment and renovation of our existing medical centre and the revolving credit was to fund our working capital requirements; and
- (iii) payment of RM0.74 million for interest expenses in respect of our term loan and revolving credit.

FYE 2020***Net cash from operating activities***

For the FYE 2020, we recorded net cash from operating activities of RM11.24 million. Our cash inflows mainly comprised the collection from our customers of RM38.35 million. The above cash inflows were partly offset by cash payment of RM27.39 million during the FYE 2020 mainly due to the following:

- (i) payment for purchases for our business operation of RM19.21 million; and
- (ii) payment for staff costs amounting to RM5.41 million which include salaries, bonuses, EPF contribution and other staff-related benefits.

Net cash used in investing activities

For the FYE 2020, we recorded net cash used in investing activities of RM0.60 million mainly due to payment for the purchase of medical equipment, furniture and fitting and computer software system mainly to cater for the increasing demand of our endoscopy procedures and surgeries. The cash outflow is partly offset by cash inflow from the proceeds received from the disposal of medical equipment (namely a diathermy machine used in operating theatre that has been replaced with a new one with added functionalities).

Net cash used in financing activities

For the FYE 2020, we recorded net cash used in financing activities of RM6.24 million, mainly due to the following:

- (i) payments of RM0.55 million on our lease liabilities and RM1.04 million in interest expenses on our lease liabilities in accordance with *MFRS 16 - Leases*;
- (ii) repayment of term loan and revolving credit facilities of RM4.11 million. The term loan was used to fund the purchase of our medical equipment and renovation of our existing medical centre and the revolving credit was to fund our working capital requirements; and
- (iii) payment of RM0.54 million for interest expenses in respect of our term loan and revolving credit.

12. FINANCIAL INFORMATION (Cont'd)**FYE 2021*****Net cash from operating activities***

For the FYE 2021, we recorded net cash from operating activities of RM14.30 million. Our cash inflows mainly comprised the collection from our customers of RM62.40 million.

The above cash inflows were partly offset by cash payment of RM48.39 million during the FYE 2021 mainly due to the following:

- (i) payment for purchases for our business operation of RM33.24 million;
- (ii) payment for staff costs amounting to RM6.24 million which include salaries, bonuses, EPF contribution and other staff-related benefits;
- (iii) full repayment of the outstanding advances to the former shareholders of our subsidiary of RM2.00 million; and
- (iv) payment of tax expenses of RM3.57 million.

Net cash used in investing activities

For the FYE 2021, we recorded net cash outflow in our investing activities of RM3.64 million mainly due to the following:

- (i) payment of RM1.70 million for the purchase of medical equipment, electrical equipment, furniture and fitting and computer software system mainly to cater for the new operating theatre that was added in FYE 2021; and
- (ii) placement of deposits with financial institution of RM2.00 million with tenure more than 3 months.

Net cash used in financing activities

For the FYE 2021, we recorded net cash used in financing activities of RM11.98 million, mainly due to the following:

- (i) payment of dividend of RM7.28 million in respect of FYE 2021 to the former shareholders of our subsidiary, namely Cengild Investors, Cengild Partners and Medic Quest;
- (ii) repayment of term loan of RM4.00 million, which was used to fund the purchase of our medical equipment and renovation of our existing medical centre; and
- (iii) payment of RM0.74 million for our lease liabilities and RM1.02 million in interest expenses for our lease liabilities in accordance with *MFRS 16 - Leases*; and
- (iv) payment of RM0.21 million for interest expenses in respect of our term loan.

The above cash payments were offset by the amount received of RM1.27 million arising from the subscription of new ordinary shares in Cengild by Medic Quest, being one of the former shareholders of Cengild.

4-month FPE 31 October 2021***Net cash from operating activities***

For the 4-month FPE 31 October 2021, we recorded net cash from operating activities of RM4.85 million. Our cash inflows mainly comprised the collection from our customers of RM20.91 million.

12. FINANCIAL INFORMATION (Cont'd)

The above cash inflows were partly offset by cash payment of RM16.90 million during the 4-month FPE 31 October 2021 mainly due to the following:

- (i) payment for purchases for our business operation of RM13.53 million;
- (ii) payment for staff costs amounting to RM1.88 million which include salaries, EPF contribution and other staff-related benefits; and
- (iii) payment of tax expenses of RM1.37 million.

Net cash from investing activities

For the 4-month FPE 31 October 2021, we recorded net cash used in investing activities of RM0.82 million mainly due to pledge of deposits with financial institution of RM1.00 million as security. The said cash outflow was partly offset by upliftment of deposits of RM0.20 million with tenure of more than 3 months.

Net cash used in financing activities

For the 4-month FPE 31 October 2021, we recorded net cash used in financing activities of RM1.61 million, mainly due to the following:

- (i) payments of RM0.25 million on our lease liabilities and RM0.33 million in interest expenses on our lease liabilities in accordance with *MFRS 16 - Leases*;
- (ii) repayment of term loan of RM1.00 million. The term loan was used to fund the purchase of our medical equipment and renovation of our existing medical centre; and
- (iii) payment of RM0.03 million for interest expenses in respect of our term loan.

12.4.3 Borrowings

As at 31 October 2021, our total outstanding borrowings and lease liabilities amounted to approximately RM22.93 million and can be analysed further as follows:

	Short Term (due within 12 months)	Long Term (due after 12 months)	Total
	RM'000	RM'000	RM'000
Term loan	1,018	-	1,018
Lease liabilities	1,208	20,700	21,908
Total borrowings	2,226	20,700	22,926

Type of borrowings	Purpose of borrowings	Remaining Tenure	Interest rate per annum	As at 31 October 2021
			%	RM'000
Term loan	<i>Finance the purchase of medical equipment and the renovation of our existing medical centre</i>	2 months	4.54	1,018
Lease liabilities	<i>Rental of our medical centre premises.</i>	10 years	4.50	21,908
Total borrowings				22,926
Gearing ratio (times) ⁽¹⁾				1.43
Gearing ratio (times) ⁽²⁾				0.06

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) Calculated based on our total borrowings (including lease liabilities recognised under MFRS 16) divided by our shareholders' equity as at 31 October 2021.
- (2) Calculated based on our total borrowings (excluding lease liabilities recognised under MFRS 16) divided by our shareholders' equity as at 31 October 2021.

The maturity profile of our total outstanding borrowings as at 31 October 2021 is as follows:

	RM'000
Under 1 year	2,226
1 to 5 years	8,058
More than 5 years	12,642
Total borrowings	22,926

Our term loan is denominated in RM, which is secured and interest-bearing at floating rate, and our lease liabilities are denominated in RM and are also interest-bearing. We have not defaulted on any payment of either interest and/or principal sum in respect of any borrowings or lease liabilities throughout the Period Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend.

As at the LPD, neither us nor our subsidiary are in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of securities in our Group.

For the FYE 2018 to 4-month FPE 31 October 2021, we have not experienced any claw back or reduction in the facilities granted to us by our lender.

12.4.4 Financial instruments

As at the LPD, save as disclosed in this Section and **Section 12.4.3** of this Prospectus, we do not have or utilise any other financial instruments.

We finance our operations mainly through cash flows from operating activities as set out in **Section 12.4.2** of this Prospectus as well as external sources of funds which mainly comprised bank borrowings. The principal usage of these bank borrowings are for working capital purposes such as purchases of medical supplies and consumable items, and trade payments to suppliers/creditors as well as to fund our capital expenditure for the establishment of our medical centre.

For clarity purpose, financial instruments that are used in the ordinary course of business, from an accounting perspective, may include deposits with financial institutions, cash and bank balances, trade and other receivables, trade and other payables and borrowings as shown in our combined and consolidated statements of financial position.

12.4.5 Treasury policies and objectives

Our treasury policy is to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from our business operation and financial liabilities by maintaining adequate liquidity and credit facilities.

We manage our liquidity to ensure that we are able to access sufficient funding at acceptable costs to meet our business operation's needs and financial obligations. In the past, we have relied on external unsecured and secured sources, including credit extended by our suppliers, term loan and revolving credits from financial institution. Our funding policy is to obtain the most suitable type of financing at a favourable cost of funding as and when our financing needs arise.

12. FINANCIAL INFORMATION (Cont'd)**12.4.6 Material commitment**

As at the LPD, our Board is not aware of any material commitments contracted or known to be contracted by our Group which may have a material impact on the business or financial position of our Group.

12.4.7 Material litigation or claims

Our Group is not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

12.4.8 Contingent liabilities

As at the LPD, our Board, is not aware of any material contingent liabilities which have become enforceable or are likely to become enforceable, which may materially and adversely affect the business or financial position of our Group.

12.5 KEY FINANCIAL RATIOS

Our key financial ratios for the Period Under Review were as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2021
Trade receivables turnover period (days)	46	34	32	26	25
Trade payables turnover period for consultant costs (days)	108	97	77	57	44
Trade payables turnover period excluding consultant costs (days)	71	50	52	53	49
Inventories turnover period (days)	116	104	66	58	62
Current ratio (times)	0.37	0.48	0.81	1.16	1.46
Gearing ratio (times) ⁽¹⁾	8.37	5.75	2.95	1.75	1.43
Gearing ratio (times) ⁽²⁾	2.87	1.74	0.61	0.15	0.06

Notes:

- (1) Calculated based on our total borrowings (including lease liabilities recognised under MFRS 16) divided by our shareholders' equity as at the end of the respective financial years / period.
- (2) Calculated based on our total borrowings (excluding lease liabilities recognised under MFRS 16) divided by our shareholders' equity as at the end of the respective financial years / period.

12. FINANCIAL INFORMATION (Cont'd)**12.5.1 Trade receivables**

The summary of our trade receivables as at the end of the respective financial years/period for the Period Under Review is as set out below:

	<-----Audited----->				Audited 4-month FPE 31 October
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables ⁽¹⁾	1,462	2,597	3,426	4,496	4,105
Revenue	11,679	28,183	39,180	63,470	20,524
Trade receivables turnover period (days) ⁽²⁾	46	34	32	26	25

Notes:

- (1) Balance of trade receivables as at the end of the respective financial years/period.
- (2) Calculated based on trade receivables divided by the total revenue for the respective financial years, /period, and thereafter multiplied by 365 days for FYE 2018, 2019, 2020, and 2021 and 123 days for the 4-month FPE 31 October 2021.

Generally, the credit period granted by us to our debtors which include self-paying customers, third party administrators, insurance companies and corporate clients range from 15 days to 60 days. Credit period granted are assessed and approved on a case-by-case basis after taking into consideration various factors such as our business relationship, our marketing strategies and our debtors' historical payment trend and creditworthiness.

Our trade receivables turnover period in FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 were within our normal credit period, i.e. within 15 to 60 days. Our good working relationship with our debtors is the key driver for their prompt payments.

Trade receivables turnover period decreased from 46 days in FYE 2018 to 25 days in 4-month FPE 31 October 2021 as a result of improved collections from our debtors.

We have not experienced any instances of material bad debts during the Period Under Review. We will assess the collectability of trade receivables on a case by case basis and impairment will be made for debtors where recoverability is uncertain based on our assessment of historical payment trend.

12. FINANCIAL INFORMATION (Cont'd)**Ageing analysis of trade receivables as at 31 October 2021**

	Within credit period	Exceeding credit period			Total
	Not past due	Not more than 30 days overdue	Between 31 to 90 days overdue	More than 90 days overdue	
Trade receivables (RM'000)	3,538	329	152	86	4,105
% of trade receivables	86.2	8.0	3.7	2.1	100.0
Subsequent collections up to and including the LPD (RM'000)	(3,506)	(260)	(141)	(73)	(3,980)
Trade receivables net of subsequent collections (RM'000)	32	69	11	13	125
% of trade receivables net of subsequent collections	25.6	55.2	8.8	10.4	100.0

As at 31 October 2021, our total trade receivables was RM4.11 million, of which RM0.57 million or 13.8% of our trade receivables exceeded the normal credit period. The trade receivables that exceeded the normal credit period are mainly amount due from insurance companies and third party administrators, which may take longer time to pay as they need to verify invoices and ask for additional information before making payments.

As at the LPD, we have collected RM3.98 million or 97.0% of our total trade outstanding receivables as at 31 October 2021. Our Board is of the opinion that the remaining outstanding trade receivables, which are mainly amount due from insurance companies and third party administrators that have been historically creditworthy with good payment records with our Group, are recoverable. For trade receivables exceeding the credit period, we will actively communicate and follow-up for collection.

We review trade receivables ageing on a monthly basis. If there are any outstanding debts exceeding 12 months, a full impairment will be recognised in our financial statements accordingly.

12.5.2 Trade payables

The summary of our trade payables as at the end of the respective financial years for the Period Under Review is as set out below:

	<-----Audited----->				Audited 4-month FPE 31 October
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables⁽¹⁾					
• Consultant payables	866	2,154	2,404	3,114	1,447
• Other trade payables	559	798	1,173	2,187	2,081
Total	1,425	2,952	3,577	5,301	3,528
Cost of sales⁽²⁾					
• Consultant costs	2,916	8,117	11,348	19,832	4,081
• Other cost of sales	2,871	5,868	8,296	14,935	5,203
Total	5,787	13,985	19,644	34,767	9,284

12. FINANCIAL INFORMATION (Cont'd)

	<-----Audited----->				Audited 4-month FPE 31 October
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables turnover period for consultant costs only (days) ⁽³⁾	108	97	77	57	44
Trade payables turnover period excluding consultant costs (days) ⁽⁴⁾	71	50	52	53	49

Notes:

- (1) Balance of trade payables as at the end of the respective financial years/period.
- (2) Excludes credit card commission, agent commission, depreciation of medical equipment and consultant payroll.
- (3) Computed based on trade payables to consultants as at the end of the respective financial years/period over cost of sales attributable solely to consultants multiplied by 365 days for the FYE 2018, 2019, 2020, and 2021 and 123 days for the 4-month FPE 31 October 2021.
- (4) Computed based on trade payables to other suppliers as at the end of the respective financial years/period over cost of sales (excluding cost of goods sold attributable to consultant cost, consultant payroll, credit card commission, agent's commission and depreciation of medical equipment) multiplied by 365 days for the FYE 2018, 2019, 2020, and 2021 and 123 days for the 4-month FPE 31 October 2021.

The trade receivables turnover period ranges from 25 days to 46 days while the trade payables turnover period for consultants ranges from 44 days to 108 days during the Period Under Review. Trade payables for consultants are generally settled on or before the 15th day of the subsequent month upon full collection of consultation and treatment fees from patients, insurance companies or third-party administrators, and after deduction of administrative fees charged to the consultants, if applicable, on a monthly basis. This resulted in the timing gap between the receipt of payment from our debtors and the payment made to our consultants. The timing gap was also arising from our cash flow management.

The trade payables turnover period for consultants decreased from 108 days for FYE 2018 to 57 days for FYE 2021 mainly due to improved collection of consultation and treatment fees from our debtors thereby allowing prompt payment made to our consultants. The improvement in our cash flow from FYE 2018 to FYE 2021 also led to improvement in our trade payable turnover period for consultants.

Since 1 September 2021, our six (6) employee consultants are paid monthly salary and performance-based bonus. The employee consultants' salary and performance-based bonus are recognised under our consultant payroll instead of consultant costs and such amount payable to the employee consultants are treated as other payables instead of trade payables. Prior to 1 September 2021, our employee consultants (who were resident consultants then) were paid consultation fees and such fees paid to the employee consultants were recognised under our consultant costs.

The trade payables turnover period for consultants decreased from 57 days for FYE 2021 to 44 days for 4-month FPE 31 October 2021 mainly due to lower trade payable balances as at 31 October 2021 arising from the said variation in our arrangement with the employee consultants with effect from 1 September 2021. On the other hand, our consultant cost for the 4-month FPE 31 October 2021 includes consultation cost attributable to the employee consultants for July 2021 and August 2021.

12. FINANCIAL INFORMATION (Cont'd)

Trade payables granted to our Group by our suppliers generally range from 30 to 60 days. The trade payables turnover period for our suppliers for the FYE 2018 was 71 days which exceeded the credit period granted by our suppliers as our medical centre only commenced operations in October 2017. Our trade payables turnover period decreased from 71 days for the FYE 2018 to 49 days for the 4-month FPE 31 October 2021 mainly due to our prompt payments being made to our suppliers to enjoy early payment discounts.

As at the LPD, there were no disputes with any trade payables nor there was any legal action being taken against the Company to demand for payment.

Ageing analysis of trade payables as at 31 October 2021

	Within credit period	Exceeding credit period			Total
	Not past due	Not more than 30 days overdue	Between 31 to 90 days overdue	More than 90 days overdue	
Trade payables (RM'000)	2,915	383	192	38	3,528
% of trade payables	82.6	10.9	5.4	1.1	100.0
Subsequent payment up to and including the LPD (RM'000)	(2,897)	(344)	(171)	(28)	(3,440)
Outstanding trade payables as at the LPD (RM'000)	18	39	21	10	88
% of trade payables net of subsequent payments	20.5	44.3	23.9	11.3	100.0

As at 31 October 2021, our total trade payables was RM3.53 million, with RM0.61 million or 17.4% of our trade payables exceeded the normal credit period. The trade payables that exceeded the normal credit period are mainly trade payables for consultants which would generally be settled on or before the 15th day of the subsequent month upon full collection of consultation and treatment fees from patients, insurance companies or third-party administrators.

As at the LPD, we have paid approximately RM3.44 million or 97.5% of our total outstanding trade payables as at 31 October 2021. The remaining outstanding trade payables are mainly amount due to our consultants, which would be settled after full collection of consultation and treatment fees from patients, insurance companies or third-party administrators.

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12. FINANCIAL INFORMATION (Cont'd)**12.5.3 Inventories**

The summary of our inventories as at the end of the respective financial years/period for the Period Under Review is as set out below:

	<-----Audited----->				Audited 4-month FPE 31 October
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Inventories⁽¹⁾					
• Consumables	227	386	426	535	575
• Pharmaceutical products	277	497	348	409	445
Total	504	883	774	944	1,020
Inventories recognised as cost of sales ⁽²⁾	1,581	3,089	4,277	5,928	2,030
Inventories turnover period (days) ⁽³⁾	116	104	66	58	62

Notes:

- (1) Balances of inventories as at the end of the respective financial years/period.
- (2) Excluding the cost of sales relating to consignment items.
- (3) Computed based on inventories divided by inventory recognised as cost of sales for the respective financial years/period, and thereafter multiplied by 365 days for FYE 2018, 2019, 2020 and 2021 and 123 days for the 4-month FPE 31 October 2021.

For the Period Under Review, our inventory turnover period ranged from 58 days to 116 days. Our inventory turnover period decreased from 116 days in FYE 2018 to 58 days in FYE 2021 arising from the better management of our inventories. Our inventory turnover period increased from 58 days in FYE 2021 to 62 days in 4-month FPE 31 October 2021 mainly due to additional inventories of pharmaceutical products held in anticipation of an increase in our patient volume and medical services. Our patient volume and the number of medical procedures performed at our medical centre rebounded as we saw the daily number of COVID-19 cases in Malaysia began to drop in September 2021 amidst higher vaccination rate.

Medical supplies and consumables have various shelf lives depending on their nature. We perform full stock count on our medical supplies and consumable semi-annually and assess if there is any indication for impairment for our inventories such as obsolescence or slow-moving inventories that are near their expiry dates. For the damaged and expired medical supplies, our policy is for these inventories to be written off.

Our Board is of the view that no impairment is required for inventory as at the LPD as the medical consumables and pharmaceutical products are within their shelf life and there are no slow moving stocks as at the LPD.

12. FINANCIAL INFORMATION (Cont'd)**12.5.4 Current ratio**

The summary of our current ratios as at the end of the respective financial years/period for the Period Under Review is as set out below:

	Audited as at 30 June				Audited as at 31 October 2021
	2018	2019	2020	2021	
Current assets (RM'000)	3,690	5,384	10,607	12,654	15,647
Current liabilities (RM'000) ⁽¹⁾	9,992	11,178	13,123	10,951	10,734
Net current (liabilities) / assets (RM'000)	(6,302)	(5,794)	(2,516)	1,703	4,913
Current ratio (times) ⁽²⁾	0.37	0.48	0.81	1.16	1.46

Notes:

- (1) Including lease liabilities of RM0.50 million, RM0.55 million, RM0.74 million, RM0.91 million and RM1.21 million for the FYE 2018, FYE 2019, FYE 2020, FYE 2021 and 4-month FPE 31 October 2021 respectively.
- (2) Calculated based on current assets divided by current liabilities as at the end of the respective financial years / period.

FYE 2019 compared with FYE 2018

Our net current liabilities decreased from RM6.30 million as at 30 June 2018 to RM5.79 million as at 30 June 2019. Our current ratio increased from 0.37 times as at 30 June 2018 to 0.48 times as at 30 June 2019.

Our current assets increased from RM3.69 million as at 30 June 2018 to RM5.38 million or by 45.9% as at 30 June 2019 mainly due to the increase in our trade receivables and cash and bank balances as our revenue increased in the FYE 2019.

On the other hand, our current liabilities increased from RM9.99 million as at 30 June 2018 to RM11.18 million or by 11.9% as at 30 June 2019 mainly due to the increase in our trade payables, which is in tandem with the increase in our costs of operation, and short term borrowings during the FYE 2019.

We recorded a net current liability position and our current ratio of less than one (1) time for both FYE 2018 and FYE 2019 mainly due to the renovation of our medical centre and purchase of medical equipment which was funded through internally generated funds (use of a current asset i.e. cash to invest in a non-current assets) as well as bank borrowings and shareholders' advances.

FYE 2020 compared with FYE 2019

Our net current liabilities decreased from RM5.79 million as at 30 June 2019 to RM2.52 million as at 30 June 2020. Our current ratio increased from 0.48 times as at 30 June 2019 to 0.81 times as at 30 June 2020.

Our current assets increased from RM5.38 million as at 30 June 2019 to RM10.61 million or by 97.0% as at 30 June 2020 mainly due to the increase in our trade receivables and cash and bank balances as our revenue increased in the FYE 2020.

On the other hand, our current liabilities increased from RM11.18 million as at 30 June 2019 to RM13.12 million or 17.4% as at 30 June 2020 mainly due to the increase in our trade and other payables during the FYE 2020, which is in tandem with the increase in our costs of operation.

12. FINANCIAL INFORMATION (Cont'd)

Despite the decreasing net current liabilities and improvement in the current ratio, we recorded a net current liability position and our current ratio of less than one (1) time for FYE 2020 as it remained impacted by the renovation of our medical centre and purchase of medical equipment in FYE 2017 and FYE 2018 where internally generated funds (use of a current asset i.e. cash to invest in a non-current assets) as well as borrowings and shareholders' advances were used to fund such capital expenditure.

FYE 2021 compared with FYE 2020

Our net current liabilities position of RM2.52 million as at 30 June 2020 improved to a net current assets position of RM1.70 million as at 30 June 2021. Our current ratio increased from 0.81 times as at 30 June 2020 to 1.16 times as at 30 June 2021.

Our current assets increased from RM10.61 million as at 30 June 2020 to RM12.65 million or by 19.3% as at 30 June 2021 mainly due to the increase in our trade receivables and deposits placed with financial institutions as our revenue increased in during the FYE 2021. The increase in the current assets was partly offset by the use of cash for payment of dividends amounting to RM7.28 million.

Notwithstanding the increase in our costs of operation, our current liabilities reduced from RM13.12 million as at 30 June 2020 to RM10.95 million or 16.6% as at 30 June 2021 mainly due to the repayment of shareholders' advances and bank borrowings from our internally generated funds.

4-month FPE 31 October 2021 compared with 4-month FPE 31 October 2020

Our net current assets increased from RM1.70 million as at 30 June 2021 to RM4.91 million as at 31 October 2021. Our current ratio increased from 1.16 times as at 30 June 2021 to 1.46 times as at 31 October 2021.

Our current assets increased from RM12.65 million as at 30 June 2021 to RM15.65 million or by 23.7% as at 31 October 2021 mainly due to the increase in our deposits placed with financial institutions arising from net cash inflow from our operating activities during the 4-month FPE 31 October 2021.

On the other hand, our current liabilities decreased from RM10.95 million as at 30 June 2021 to RM10.73 million or 2.0% as at 31 October 2021 mainly due to the repayment of bank borrowings from our internally generated funds. The decrease in the current liabilities was partially offset by the increase in other payables, which are in tandem with the increase in our costs of operation.

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12. FINANCIAL INFORMATION (Cont'd)**12.5.5 Gearing ratio**

The summary of our gearing ratios as at the end of the respective financial years/period for the Period Under Review is as set out below:

	Audited as at 30 June				Audited as at 31 October 2021
	2018	2019	2020	2021	
	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	2,000	1,000	-	-	-
Term loan	10,532	9,128	6,018	2,018	1,018
Lease liabilities	23,961	23,455	22,903	22,162	21,908
Total borrowings	36,493	33,583	28,921	24,180	22,926
Shareholders' equity	4,360	5,836	9,788	13,778	15,981
Gearing ratio (times) ⁽¹⁾	8.37	5.75	2.95	1.75	1.43
Gearing ratio (times) ⁽²⁾	2.87	1.74	0.61	0.15	0.06

Notes:

- (1) Calculated based on our total borrowings (including lease liabilities recognised under MFRS 16) divided by our shareholders' equity as at the end of the respective financial years / period.
- (2) Calculated based on our total borrowings (excluding lease liabilities recognised under MFRS 16) divided by our shareholders' equity as at the end of the respective financial years / period.

Our borrowings mainly comprise lease liabilities arising from the right-of-use assets for our rented medical centre and term loan to finance the purchase of our medical equipment and renovation of our existing medical centre.

Our gearing ratio (excluding lease liabilities recognised under MFRS 16) decreased from 2.87 times as at 30 June 2018 to 1.74 times as at 30 June 2019 due to the increase in our shareholders' equity by RM1.48 million and repayment of our bank borrowings. The increase in our shareholders' equity was due to the increase in retained earnings as we generated a PAT of RM1.48 million for FYE 2019.

Our gearing ratio (excluding lease liabilities recognised under MFRS 16) decreased from 1.74 times as at 30 June 2019 to 0.61 times as at 30 June 2020 due to the increase in our shareholders' equity by RM3.95 million and repayment of our bank borrowings. The increase in our shareholders' equity was mainly due to the increase in retained earnings as we generated a PAT of RM3.95 million for FYE 2020.

Our gearing ratio (excluding lease liabilities recognised under MFRS 16) decreased from 0.61 times as at 30 June 2020 to 0.15 times as at 30 June 2021 mainly due to the increase in our shareholders' equity by RM3.99 million and repayment of our bank borrowings. The increase in our shareholders' equity was due to the issuance of new ordinary shares in Cengild of RM1.27 million in value and the increase in retained earnings as we generated a PAT of RM10.00 million for FYE 2021. The effects of the increase in our shareholders' equity was partly offset by dividend payments amounting to RM7.28 million.

Our gearing ratio (excluding lease liabilities recognised under MFRS 16) decreased from 0.15 times as at 30 June 2021 to 0.06 times as at 31 October 2021 due to the increase in our shareholders' equity by RM2.20 million and repayment of our bank borrowings. The increase in our shareholders' equity was mainly due to the increase in retained earnings as we generated a PAT of RM2.20 million for 4-month FPE 31 October 2021.

12. FINANCIAL INFORMATION (Cont'd)

The movement in our gearing ratio (including lease liabilities recognised under MFRS 16) is in line with the movement in our gearing ratio (excluding lease liabilities recognised under MFRS 16).

12.6 ORDER BOOK

The concept of an order book does not apply to our business. Although our medical centre maintains a register for advance patient appointments with our consultants, these appointments are not legally binding and may be cancelled or postponed, and therefore do not constitute our orders on hand.

12.7 TREND ANALYSIS

As at the LPD, our Board confirms that our financial conditions and operations have not been and are not expected to be affected by any of the following, save as disclosed in this Section, **Section 7** (Business Overview), **Section 8** (IMR Report) and **Section 9** (Risk Factors) of this Prospectus:

- (i) known factors, trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial conditions and results of operations;
- (ii) material capital commitment for capital expenditure save as disclosed in **Section 12.4.6** of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;
- (iv) known factors, trends, demands, commitments, events or uncertainties that had resulted or that we reasonably expect to result in a material impact on our total revenue and/or profits;
- (v) known factors, trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position; and
- (vi) known factors, trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our liquidity and capital resources.

Our Board is assured about our future prospects given our competitive strengths as set out in **Section 7.10** of this Prospectus and our commitment to implement the future plans and strategies as set out in **Section 7.11** of this Prospectus.

12.8 DIVIDEND POLICY

We target a payout ratio of at least 25% from our consolidated net profit attributable to the owners of our Company, excluding exceptional items, for each financial year, after taking into account our financial performance, cash flow requirements and capital expenditure plans. The declaration and payment of any dividend is subject to confirmation of our Board.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividend distributions, which are subject to modification at our Board's absolute discretion.

As we are an investment holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiary. Save for certain banking restrictive covenants which our Group is subject to, there are no dividend restrictions imposed on our subsidiary as at

12. FINANCIAL INFORMATION (Cont'd)

the LPD. However, the payment of dividends by our subsidiary is dependent upon its financial condition, capital expenditure plans, business expansion plans, availability of distributable reserves and other factors.

The actual dividends that our Board may recommend or declare in respect of any particular financial year or period will subject to the following factors:

- (i) our level of cash, gearing ratio, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our cash flows requirements for our operations, financing commitments and capital expenditure;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) any material impact of tax laws and regulatory requirements; and
- (vi) any other factors our Board considers relevant.

The dividends paid by our subsidiary, Cengild, during the Period Under Review are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	4-month FPE 31 October 2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividend	-	-	-	7,285	-

There was no dividend declared, made or paid by our Company or our subsidiary subsequent to 31 October 2021. Our Board will not declare or pay any dividend until the completion of the IPO.

The dividend declared in the past should not be treated as an indication of our future dividend payout. Please refer to **Section 9.4.3** of this Prospectus on the risk that our dividend payout is not guaranteed.

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13. ACCOUNTANTS' REPORT



15 MAR 2022

The Board of Directors
Cengild Medical Berhad
Unit 2-3 & 2-4, Level 2
Nexus @ Bangsar South
No. 7, Jalan Kerinchi
59200 Kuala Lumpur

Dear Sir/Madam,

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
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REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF CENGILD MEDICAL BERHAD (THE "COMPANY" OR "CENGILD MEDICAL")

OPINION

We have audited the combined and consolidated financial information of the Company and its subsidiaries (collectively known as the "**Group**"), which comprise the combined statements of financial position as at 30 June 2018, 30 June 2019, 30 June 2020 and consolidated financial statements as at 30 June 2021 and 31 October 2021, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended ("**FYE**") 30 June 2018, 30 June 2019, 30 June 2020, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for FYE 30 June 2021 and 4-month financial period ended ("**FPE**") 31 October 2021, and notes to the combined and consolidated financial statements, including a summary of significant accounting policies as set out on pages 5 to 75.

The historical financial information has been prepared for inclusion in the prospectus of Cengild Medical in connection with the listing of and quotation for the entire enlarged issued share capital of Cengild Medical on the ACE Market of Bursa Malaysia Securities Berhad ("**Prospectus**"). This report is prepared for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the combined and consolidated financial information gives a true and fair view of the financial position of the Group as at 30 June 2018, 30 June 2019, 30 June 2020, 30 June 2021 and 31 October 2021 and of its financial performance and its combined cash flows for the FYE 30 June 2018, 30 June 2019, 30 June 2020, and consolidated cash flows for the FYE 30 June 2021 and 4-month FPE 31 October 2021 in accordance with the Malaysian Financial Reporting Standards ("**MFRSs**") and International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (Cont'd)**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 *Reporting Accountant's Responsibilities for the Audit of the Combined Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The Directors of the Company ("**Directors**") are responsible for the preparation of the financial information of the Group, so as to give a true and fair view in accordance with MFRSs and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information 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.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 information.

13. ACCOUNTANTS' REPORT (Cont'd)
REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL INFORMATION (CONT'D)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial information 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 report to the related disclosures in the financial information 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 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 financial information of the Group, including the disclosures, and whether the financial information of the Group represents the underlying transactions and events in a manner that achieves true and 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 financial information 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.

13. ACCOUNTANTS' REPORT (Cont'd)



RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the Prospectus of Cengild Medical in connection with the listing of and quotation for the entire enlarged issued share capital of Cengild Medical on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

A handwritten signature in black ink, appearing to be "Crowe", written over a light grey rectangular background.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, appearing to be "Choong Kok Keong", written over a light grey rectangular background.

Choong Kok Keong
03461/11/2023 J
Chartered Accountant