

Cengild Medical Berhad

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

**Unaudited Condensed Consolidated
Interim Financial Report
for the First Quarter Ended
30 September 2023**

Cengild Medical Berhad

Registration No.: 202101004143 (1404442-P)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of financial position as at 30 September 2023

	Note	Unaudited As at 30 September 2023 RM'000	Audited As at 30 June 2023 RM'000
Assets			
Non-current assets			
Investments in associates		1	1
Investments in a joint venture		25	-
Plant and equipment	A13	13,887	13,661
Right-of-use assets		9,905	10,231
Deferred tax assets		1,896	1,670
Total non-current assets		25,714	25,563
Current assets			
Inventories		1,500	1,381
Trade receivables		5,670	5,077
Other receivables, deposits and prepayments		1,867	1,400
Fixed deposits with licensed banks		98,685	97,549
Cash and bank balances		983	759
Total current assets		108,705	106,166
Total assets		134,419	131,729
Equity			
Share capital		87,487	87,472
Reserves		2,071	2,007
Retained profits		17,146	16,629
Total equity		106,704	106,108
Liabilities			
Non-current liabilities			
Lease liabilities	B7	13,260	13,602
Provision for restoration costs		631	623
Total non-current liabilities		13,891	14,225

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Unaudited condensed consolidated statement of financial position as at 30 September 2023 (cont'd)

		Unaudited As at 30 September 2023 RM'000	Audited As at 30 June 2023 RM'000
	Note		
Current liabilities			
Trade payables		3,251	2,589
Other payables and accruals		8,083	7,035
Amount owing to directors		186	150
Lease liabilities	B7	1,346	1,331
Current tax liabilities		958	291
Total current liabilities		13,824	11,396
Total liabilities		27,715	25,621
Total equity and liabilities		134,419	131,729

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the first quarter ended 30 September 2023

	Note	Unaudited Individual/Cumulative quarter ended 30 September	
		2023 RM'000	2022 RM'000
Revenue		17,604	17,618
Cost of sales		(9,516)	(9,907)
Gross profit		8,088	7,711
Other income		1,110	782
		9,198	8,493
Administrative expenses		(4,283)	(3,408)
Other expenses		-	(9)
Finance costs		(175)	(181)
Net impairment on loss on financial assets		-	(10)
Profit before taxation	B11	4,740	4,885
Income tax expense	B5	(1,141)	(1,268)
Profit after taxation		3,599	3,617
Other comprehensive income		-	-
Total comprehensive income for the financial period		3,599	3,617
Profit after taxation/Total comprehensive income for the financial period attributable to:-			
Owners of the Company		3,599	3,617
Earnings per ordinary share (sen)⁽¹⁾			
Basic		0.43	0.44
Diluted		0.43	0.44

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

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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Unaudited condensed consolidated statement of changes in equity for the first quarter ended 30 September 2023

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

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Unaudited condensed consolidated statement of changes in equity for the first quarter ended 30 September 2023 (cont'd)

	Share Capital RM'000	Reorganisation Reserve RM'000	Long Term Incentive Plan Reserve RM'000	Retained profits RM'000	Total RM'000
Unaudited					
At 1 July 2023	87,472	1,530 ⁽¹⁾	477 ⁽²⁾	16,629	106,108
Profit after taxation/Total comprehensive income for the financial period	-	-	-	3,599	3,599
Contribution by and distributions to owners of the Company:					
Share options exercised	15	-	(2)	-	13
Share options lapsed	-	-	-	-	-
Share options to executives	-	-	66	-	66
Dividends to owners of the Company	-	-	-	(3,082)	(3,082)
At 30 September 2023	<u>87,487</u>	<u>1,530</u>	<u>541</u>	<u>17,146</u>	<u>106,704</u>

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

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

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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Unaudited condensed consolidated statement of cash flows for the first quarter ended 30 September 2023

	Unaudited Individual/Cumulative quarter ended 30 September	
	2023	2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	4,740	4,885
<i>Adjustments for:</i>		
Depreciation of plant and equipment	424	462
Depreciation of right-of-use assets	326	309
Interest expense	167	181
Unwinding of discount	8	-
Plant and equipment written off	-	9
Share options to executives	66	98
Interest income	(916)	(553)
Operating profit before working capital changes	<u>4,815</u>	<u>5,391</u>
Increase in inventories	(119)	(339)
(Increase)/Decrease in trade and other receivables	(1,060)	43
Increase in trade and other payables	1,710	38
Increase in amount owing to directors	36	35
Cash generated from operations	<u>5,382</u>	<u>5,168</u>
Tax paid	<u>(700)</u>	<u>(1,001)</u>
Net cash from operating activities	<u>4,682</u>	<u>4,167</u>
Cash flows from/(used in) investing activities		
Interest received	916	553
Investment in a joint venture	(25)	-
Purchase of plant and equipment	(650)	(729)
Changes in deposits with tenure of more than 3 months	-	(20,100)
Net cash from/(used in) investing activities	<u>241</u>	<u>(20,276)</u>

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Unaudited condensed consolidated statement of cash flows for the first quarter ended 30 September 2023 (cont'd)

	Unaudited Individual/Cumulative quarter ended 30 September	
	2023	2022
	RM'000	RM'000
Cash flows used in financing activities		
Dividend paid	(3,082)	(3,030)
Interest paid	(167)	(181)
Share options exercised	13	-
Repayment of lease liabilities	(327)	(313)
Net cash used in financing activities	(3,563)	(3,524)
Net increase/(decrease) in cash and cash equivalents	1,360	(19,633)
Cash and cash equivalents at the beginning of financial period	98,308	36,390
Cash and cash equivalents at the end of financial period	99,668	16,757

(i) Cash and cash equivalents

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

	Unaudited Individual/Cumulative quarter ended 30 September	
	2023	2022
	RM'000	RM'000
Cash and bank balances	983	1,141
Fixed deposits with licensed banks	98,685	85,716
	99,668	86,857
Deposits with tenure of more than 3 months	-	(70,100)
	99,668	16,757

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

A1. Basis of preparation

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

The condensed consolidated interim financial report should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

A2. Significant accounting policies

The accounting policies adopted by the Group in this interim financial report are the same as those applied by the Group in its audited consolidated financial statements for the financial year ended 30 June 2022 except for the adoption of those new Malaysian Financial Reporting Standards ("MFRS") and amendment to MFRS and Interpretations that are applicable to the Group for the financial period beginning 1 July 2023.

(a) As of 1 July 2023, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any).

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

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts
- Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101: Disclosure of Accounting Policies
- Amendments to MFRS 108: Definition of Accounting Estimates
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

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

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A2. Significant accounting policies (cont'd)

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

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
Amendments to MFRS 101: Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

Effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121: Lack of Exchangeability

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

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

A3. Auditors' report

The auditors issued an unqualified audit opinion on the audited consolidated financial statements for the financial year ended 30 June 2023.

A4. Seasonal or cyclical factors

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

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

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

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A6. Material changes in accounting estimates

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

A7. Material events during the statement of financial position date

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

A8. Material events subsequent to the statement of financial position date

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

A9. Material changes in the composition of the Group

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

A10. Debt and equity securities

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

A11. Dividends paid

On 25 September 2023, the Company paid an interim single-tier dividend of 0.37 sen per ordinary share in respect of the financial year ended 30 June 2023 amounting to RM3.08 million.

A12. Operating segments

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

A13. Valuations of plant and equipment

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

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A14. Contingencies

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

A15. Related party transactions

Identities of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors and certain members of senior management of the Group.

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

Significant related party transactions

Significant related party transactions of the Group are as follows:

	Unaudited	
	Individual/Cumulative	
	quarter ended 30 September	
	2023	2022
	RM'000	RM'000
Transactions		
External consultancy fee contributed by directors	(115)	(158)
External consultancy fee contributed by other key management personnel	(76)	(67)
Consultant fee paid to a joint venture	56	61
Hospital cost paid to a joint venture	34	35
Management fee charge to a joint venture	(3)	(4)

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A15. Related party transactions (cont'd)

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

A16. Fair value information

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

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

B1. Review of financial performance

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

	Unaudited Individual quarter ended 30 September		Variance
	2023 RM'000	2022 RM'000	%
Revenue	17,604	17,618	(0.08)
Profit before taxation ("PBT")	<u>4,740</u>	<u>4,885</u>	(2.97)

The Group recorded revenue of RM17.60 million for the current financial quarter ended 30 September 2023, is comparable to the preceding corresponding financial quarter ended 30 September 2022 of RM17.62 million.

The Group's PBT decreased by RM0.15 million or 2.97% mainly due to the net overall higher staff costs.

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B2. Variation of results against preceding quarter

	Unaudited		Variance %
	Individual quarter ended		
	September	June	
	2023	2023	
	RM'000	RM'000	
Revenue	17,604	15,771	11.62
PBT	4,740	2,668	77.66

The Group recorded revenue of RM17.60 million for the current quarter ended 30 September 2023, representing an increase of RM1.83 million or 11.62% as compared to the preceding quarter ended 30 June 2023 of RM15.77 million. The increase in revenue was mainly due to the higher patients volume resulting in the increase in number of endoscopic procedures and surgeries performed.

The Group's PBT increased by RM2.07 million or approximately 77.66% from RM2.67 million in the immediate preceding quarter to RM4.74 million in the current financial quarter. The increase was mainly due to i) the significant increase in revenue resulted in better gross profit; ii) higher interest income from the placement of IPO proceeds with financial institutions in the current financial quarter; and iii) catch up of underprovision of bonus in the preceding quarter for the financial year ended 30 June 2023.

B3. Commentary on prospects

Given the performance of the Group 3-month financial period ended 30 September 2023, the Board of Directors expect the Group's prospects for the financial year ending 30 June 2024 to be favourable.

B4. Profit forecast

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

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B5. Income tax expense

Income tax expense comprises the following:

	Unaudited Individual/Cumulative quarter ended 30 September	
	2023	2022
	RM'000	RM'000
<i>Recognised in profit or loss</i>		
Current financial period		
Current tax expense	1,367	1,268
Deferred tax	(226)	-
	<u>1,141</u>	<u>1,268</u>
Effective tax rate	24.07%	25.96%

The effective tax rates of 24.07% for individual quarter ended 30 September 2023 was slightly higher than the statutory tax rate due to the non-deductible expenses incurred.

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

B6. Status of corporate proposals announced

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

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B7. Loans and borrowings

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

	Note	Unaudited As at 30 September 2023 RM'000	Audited As at 30 June 2023 RM'000
Non-current			
Lease liabilities	B7.1	13,260	13,602
		<u>13,260</u>	<u>13,602</u>
Current			
Lease liabilities	B7.1	1,346	1,331
		<u>1,346</u>	<u>1,331</u>

The above borrowings are denominated in Ringgit Malaysia.

B7.1 Lease liabilities

Lease liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Unaudited 30.9.2023			
Less than one year	1,976	630	1,346
Between one to five years	9,253	1,765	7,488
Over 5 years	6,125	353	5,772
	<u>17,354</u>	<u>2,748</u>	<u>14,606</u>
Audited 30.6.2023			
Less than one year	1,976	645	1,331
Between one to five years	9,154	1,848	7,306
Over 5 years	6,718	422	6,296
	<u>17,848</u>	<u>2,915</u>	<u>14,933</u>

B8. Material litigation

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

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B9. Dividends

There were no any dividends declared under the financial quarter under review.

B10. Earnings per ordinary share

The calculation of earnings per ordinary share at 30 September 2023 and 2022, was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited Individual/Cumulative quarter ended 30 September	
	2023	2022
Profit for the financial period attributable to owners of the Company (RM'000)	<u>3,599</u>	<u>3,617</u>
Based on weighted average number of ordinary shares - basic ('000)	832,881 ⁽¹⁾	818,800 ⁽²⁾
Effect of LTIP ('000)	<u>2,640</u>	<u>5,754</u>
Adjusted weighted average number of ordinary shares ('000)	<u>835,521</u>	<u>824,554</u>
Basic earnings per ordinary share (sen)	<u>0.43</u>	<u>0.44</u>
Diluted earnings per ordinary share (sen)	<u>0.43</u>	<u>0.44</u>

⁽¹⁾ Based on the weighted average number of issued share capital of 818,800,000 ordinary shares after the completion of the IPO, and with included of number of ordinary shares from exercised ESOS.

⁽²⁾ Based on the weighted average number of issued share capital of 818,800,000 ordinary shares after the completion of the IPO, and with included of number of ordinary shares from exercised ESOS and Special Issue shares.

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B11. Profit before taxation

	Unaudited Individual/Cumulative quarter ended 30 September	
	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging/ (crediting):-		
Depreciation:		
- plant and equipment	424	462
- right-of-use assets	326	309
Plant and equipment written off	-	9
Directors' remuneration	2,000	2,401
Staff costs:		
- short-term employee benefits	4,312	3,977
- defined contribution benefits	486	480
- LTIP expenses	33	50
Interest expense:		
- lease liabilities	167	181
- unwinding of discount	8	-
- others	-	-
Total interest income on financial assets measured at amortised cost	<u>(916)</u>	<u>(553)</u>

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

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B12. Utilisation of proceeds

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

	Intended timeframe for utilisation upon listing	Proposed utilisation RM'000	Amount utilised as at to date RM'000	Balance unutilised RM'000	Deviation	
					RM'000	%
Expansion of existing medical centre	Within 36 months	13,000	3,092	9,908 ⁽¹⁾	-	-
Establishing new medical centres	Within 36 months	37,100	-	37,100 ⁽¹⁾	-	-
Working capital	Within 24 months	17,404	60	17,344	-	-
Defraying the listing expenses	Within 1 month	4,700	4,497	203 ⁽²⁾	-	-
Total		<u>72,204</u>	<u>7,649</u>	<u>64,555</u>	<u>-</u>	<u>-</u>

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

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

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