

Cengild Medical Berhad

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

**Unaudited Condensed Consolidated
Interim Financial Report
for the Second Quarter Ended
31 December 2021**

Cengild Medical Berhad

Registration No.: 202101004143 (1404442-P)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of financial position as at 31 December 2021

	Note	Unaudited As at 31 December 2021 RM'000	Audited As at 30 June 2021 RM'000
Assets			
Non-current assets			
Investments in associates		-	1
Plant and equipment	A12	14,524	15,972
Right-of-use assets		11,563	17,350
Total non-current assets		26,087	33,323
Current assets			
Inventories		1,068	944
Trade receivables		4,536	4,496
Other receivables, deposits and prepayments		1,100	816
Deposits with financial institution		10,226	5,750
Cash and bank balances		349	648
Total current assets		17,279	12,654
Total assets		43,366	45,977
Equity			
Share Capital		12,240	12,240
Reorganisation reserves		1,530	1,530
Retained profits		3,818	8
Total equity		17,588	13,778
Liabilities			
Non-current liability			
Lease liabilities	B7	15,576	21,248
Total non-current liability		15,576	21,248

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Unaudited condensed consolidated statement of financial position as at 31 December 2021 (cont'd)

		Unaudited As at 31 December 2021 RM'000	Audited As at 30 June 2021 RM'000
	Note		
Current liabilities			
Trade payables		3,512	5,301
Other payables and accruals		5,109	2,219
Amount owing to directors		108	28
Lease liabilities	B7	1,172	914
Bank borrowings	B7	-	2,018
Current tax liabilities		301	471
Total current liabilities		10,202	10,951
Total liabilities		25,778	32,199
Total equity and liabilities		43,366	45,977

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 30 March 2022 ("Prospectus") 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 second quarter ended 31 December 2021

	Note	← Unaudited →			
		Individual quarter ended 31 December		Cumulative quarter ended 31 December	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue		16,831	16,174	31,510	31,667
Cost of sales		(10,105)	(9,335)	(18,902)	(18,241)
Gross profit		6,726	6,839	12,608	13,426
Other income		316	91	424	173
		7,042	6,930	13,032	13,599
Administrative expenses		(3,497)	(2,793)	(6,939)	(5,483)
Other expenses		(5)	-	(5)	-
Profit from operations		3,540	4,137	6,088	8,116
Finance costs		(202)	(283)	(474)	(639)
Profit before taxation	B11	3,338	3,854	5,614	7,477
Share of loss of equity accounted joint venture		-	-	-	-
		3,338	3,854	5,614	7,477
Income tax expense	B5	(902)	(1,028)	(1,804)	(1,954)
Profit after taxation		2,436	2,826	3,810	5,523
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial period		2,436	2,826	3,810	5,523
Profit after taxation/Total comprehensive income for the financial period attributable to:-					
Owners of the Company		2,436	2,826	3,810	5,523
Earnings per ordinary share (sen)⁽¹⁾					
Basic		0.41	0.47	0.64	0.92
Diluted		0.41	0.47	0.64	0.92

⁽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 Accountants' Report as disclosed in the prospectus of the Company dated 30 March 2022 ("Prospectus") 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 second quarter ended 31 December 2021

	Share capital RM'000	Invested capital RM'000	Reorganisation reserves RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000
Unaudited					
At 1 July 2020	-	12,500 ⁽¹⁾	-	(2,712)	9,788
Contribution by and distributions to owners of the Company:					
Issuance of new shares by a subsidiary	-	1,270 ⁽²⁾	-	-	1,270
Profit after taxation/total comprehensive income for the financial period	-	-	-	5,523	5,523
At 31 December 2020	<u>-</u>	<u>13,770</u>	<u>-</u>	<u>2,811</u>	<u>16,581</u>

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Unaudited condensed consolidated statement of changes in equity for the second quarter ended 31 December 2021 (cont'd)

	Share capital RM'000	Invested capital RM'000	Reorganisation reserves RM'000	Retained profits RM'000	Total RM'000
Unaudited					
At 1 July 2021	12,240	-	1,530 ⁽³⁾	8	13,778
Profit after taxation/total comprehensive income for the financial period	-	-	-	3,810	3,810
At 31 December 2021	<u>12,240</u>	<u>-</u>	<u>1,530</u>	<u>3,818</u>	<u>17,588</u>

⁽¹⁾ This invested capital represents the share capital of Cengild Sdn Bhd before Cengild Medical Berhad acquired Cengild Sdn Bhd.

⁽²⁾ During the financial period ended 31 December 2021, Cengild Sdn Bhd increased its issued and paid up share capital from RM12,500,000 to RM13,770,450 by way of issuance of new ordinary shares.

⁽³⁾ This reorganisation reserve arise from the difference between the carrying value of the investment and the nominal value of shares of a direct subsidiary upon consolidation under the pooling-of-interests method of accounting.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 30 March 2022 ("Prospectus") 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 second quarter ended 31 December 2021

	Unaudited Cumulative quarter ended 31 December	
	2021 RM'000	2020 RM'000
Cash flows from operating activities		
Profit before taxation	5,614	7,477
<i>Adjustments for:</i>		
Depreciation of plant and equipment	1,520	1,524
Depreciation of right-of-use assets	794	882
Impairment of goodwill	5	-
Interest expense	16	127
Interest on lease liabilities	458	512
Interest income	(75)	(17)
Operating profit before working capital changes	<u>8,332</u>	<u>10,505</u>
Increase in inventories	(124)	(142)
Increase in trade and other receivables	(324)	(1,964)
Increase in trade and other payables	1,094	1,543
Decrease in amount owing to holding company	-	(1,100)
Increase in amount owing to directors	80	-
Cash generated from operations	<u>9,058</u>	<u>8,842</u>
Tax paid	<u>(1,974)</u>	<u>(1,014)</u>
Net cash from operating activities	<u>7,084</u>	<u>7,828</u>
Cash flows from/(used in) investing activities		
Acquisition of a subsidiary, net of cash and cash equivalent acquired	2	-
Upliftment of deposits with tenure more than 3 months	2,000	-
Interest received	75	17
Purchase of plant and equipment	(71)	(1,476)
Net cash from/(used in) investing activities	<u>2,006</u>	<u>(1,459)</u>

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Unaudited condensed consolidated statement of cash flows for the second quarter ended 31 December 2021 (cont'd)

	Unaudited Cumulative quarter ended 31 December	
	2021 RM'000	2020 RM'000
Cash flows used in financing activities		
Dividend paid	-	(900)
Interest paid	(474)	(638)
Proceeds from issuance of shares	-	1,270
Repayment of lease liabilities	(421)	(366)
Repayment of term loan	(2,018)	(2,000)
Net cash used in financing activities	<u>(2,913)</u>	<u>(2,634)</u>
Net increase in cash and cash equivalents	6,177	3,735
Cash and cash equivalents at the beginning of financial period	<u>4,232</u>	<u>5,548</u>
Cash and cash equivalents at the end of financial period	<u>10,409</u>	<u>9,283</u>

(i) Cash and cash equivalents

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

	Unaudited Cumulative Quarter ended 31 December	
	2021 RM'000	2020 RM'000
Cash and bank balances	10,575	9,449
Fixed deposits with tenure more than 3 months	<u>-</u>	<u>-</u>
	10,575	9,449
Pledged deposits	<u>(166)</u>	<u>(166)</u>
	<u>10,409</u>	<u>9,283</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 30 March 2022 ("Prospectus") 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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021

A1. Basis of preparation

The condensed consolidated interim financial report is unaudited and have 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 Accountants’ Report as disclosed in the Prospectus dated 30 March 2022 and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

A2. Significant accounting policies

Except as described below, the same accounting policies and methods of computation are followed in this condensed consolidated interim financial report as compared with the audited consolidated financial statements for the financial year ended 30 June 2021.

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):

- Amendment to MFRS 16, Leases - Covid-19-Related Rent Concessions beyond 30 June 2021.
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2.

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

A3. Auditors’ report

There was no qualified audit report issued by the auditors on the audited consolidated financial statements for the financial year ended 30 June 2021.

A4. Seasonal or cyclical factors

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

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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, except for listing expenses amounting to RM465,000 that were charged to the statement of profit or loss and other comprehensive income.

A6. Material changes in accounting estimates

There were no material changes in accounting estimates for the current financial quarter under review.

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

Saved as disclosed in Note B6 "Status of corporate proposals announced", there were no other material events subsequent to the end of the current financial quarter under review that have not been reflected in the interim financial report.

A8. Material changes in the composition of the Group

On 8 October 2021, Cengild Sdn Bhd acquired an additional 80% equity interests in Galen Primer Sdn Bhd from its non-controlling interests for a total consideration of RM800. Following the completion of the acquisition, Galen Primer Sdn Bhd became a wholly-owned subsidiary of the Company.

A9. Debt and equity securities

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

A10. Dividends paid

There were no dividends paid during the current financial quarter under review.

A11. Operating segments

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

There is no single customer that contributed 10% or more to the Group's revenue.

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A12. Valuations of plant and equipment

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

A13. Contingencies

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

A14. Related party transactions

Identities of related parties

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

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

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

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A14. Related party transactions (cont'd)

Identities of related parties (cont'd)

Significant related party transactions

Significant related party transactions of the Group are as follows:

	← Unaudited →			
	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Transactions				
Administrative fee contributed by directors	-	223	146	418
Administrative fee contributed by other key management personnel	-	89	54	158
Consultant fee paid to directors	-	1,643	788	3,429
Consultant fee paid to other key management personnel	-	1,915	1,221	3,676
External consultancy fee contributed by directors	191	-	248	-
External consultancy fee contributed by other key management personnel	80	-	93	-
Management fee charge to a joint venture	<u>2</u>	<u>1</u>	<u>5</u>	<u>2</u>

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

A15. Fair value information

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

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

B1. Review of financial performance

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

	Unaudited		Variance %
	Individual quarter ended 31 December		
	2021 RM'000	2020 RM'000	
Revenue	16,831	16,174	4.06
Profit before taxation ("PBT")	<u>3,338</u>	<u>3,854</u>	(13.39)

The Group reported revenue of RM16.83 million for the current financial quarter under review. This represents an increase in revenue of approximately 4.06% against the preceding corresponding financial quarter where revenue amounted to approximately RM16.17 million. The increase was due to higher number of patients, number of endoscopic procedures and surgeries performed.

The Group's PBT declined by RM0.52 million or 13.39% mainly due to listing expenses, which were not incurred during the preceding corresponding financial quarter, and slightly lower margin due to promotional offer for certain surgical procedures and higher nursing staff costs.

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B1. Review of financial performance (cont'd)

b) Review for the current financial period against preceding corresponding financial period

	Unaudited		Variance %
	Cumulative quarter ended 31 December		
	2021 RM'000	2020 RM'000	
Revenue	31,510	31,667	(0.50)
PBT	<u>5,614</u>	<u>7,477</u>	(24.92)

The Group reported revenue of RM31.51 million for the current financial period, as compared to RM31.67 million in the preceding corresponding financial period, representing a slight decrease of RM0.16 million or 0.50%. Due to the sharp rise in COVID-19 infection rate in July and August 2021, many patients have deferred their endoscopic procedures that do not involve medical emergency. This resulted in a decrease in the number of endoscopic procedures performed at the Group's medical centre. 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 the Group's medical centre rebounded in the subsequent months.

The Group's PBT declined by RM1.86 million or 24.92% mainly due to listing expenses, which were not incurred during the preceding corresponding financial period, and slightly lower margin due to promotional offer for certain surgical procedures and higher nursing staff costs.

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B2. Variation of results against preceding quarter

	Unaudited		Variance %
	December 2021 RM'000	September 2021 RM'000	
Revenue	16,831	14,679	14.66
PBT	<u>3,338</u>	<u>2,276</u>	46.66

The Group reported an 14.66% quarter-on-quarter increase in revenue and a 46.66% quarter-on-quarter increase in PBT.

During the Q1 2022, revenue was affected by a sharp rise in COVID-19 cases in July and August 2021 which has led to a decrease in number of patients visiting our medical centre.

From September onwards, the number of patients has recovered on the back of the decline in Covid-19 cases and higher vaccination rate. This has resulted in the increase in revenue by approximately RM2.15 million during the quarter ended 31 December 2021 as compared to the quarter ended 30 September 2021.

The Group's PBT increased by RM1.06 million mainly due to the increase in revenue in the current financial quarter under review.

B3. Commentary on prospects

In 2021, the Malaysian Government implemented the National Recovery Plan (“NRP”), a four-phase strategy based on three 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. Selangor and Kuala Lumpur are now under Phase 4 of the NRP. As a private healthcare services provider, the Group is allowed to continue its operations during the various phases of movement restriction order and NRP.

Hence, given the performance of the Group during the financial year ended 30 June 2021 and the financial period ended 31 December 2021, the Board of Directors expects the Group to achieve satisfactory financial performance for the financial year ending 31 December 2022.

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 quarter ended 31 December		Cumulative quarter ended 31 December	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<i>Recognised in profit or loss</i>				
Current tax expense				
Current financial period	<u>902</u>	<u>1,028</u>	<u>1,804</u>	<u>1,954</u>
Effective tax rate	27.02%	26.67%	32.13%	26.13%

The overall effective tax rates of 27.02% for individual and 32.13% for cumulative quarter ended 31 December 2021 were higher than the statutory tax rate of 24% due to the non-deductible expenses incurred including listing expenses incurred during the current financial period.

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

B6. Status of corporate proposals announced

Pre-Initial Public Offering ("IPO") Exercise

On 11 May 2021, the Company entered into Share Sale Agreement ("SSA") with the Cengild Vendors to acquire the entire equity interest in Cengild Sdn Bhd comprising 13,302,367 ordinary shares for a total purchase consideration of RM12,239,999.98 which was wholly satisfied by the issuance of 599,999,999 new Shares to the shareholders of Cengild Investors Sdn Bhd and Cengild Partners Sdn Bhd, and Medic Quest Sdn Bhd at an issued price of RM0.0204 each. The SSA was completed on 28 May 2021.

IPO

On 30 July 2021, the Group submitted the relevant applications to the Securities Commission Malaysia ("SC") and Bursa Securities in relation to the proposed initial offering of 218,800,000 ordinary shares of the Company ("IPO"), and the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities ("Listing"). The total enlarged issued share capital of the Group subsequent to the IPO is 818,800,000 ordinary shares.

Bursa Securities has, vide its letter dated 10 February 2022, approved the Company's admission to the Official List and the listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Securities and the ESOS, subject to certain conditions.

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B6. Status of corporate proposals announced (cont'd)

IPO (cont'd)

The Group's Listing is an exempt transaction under Section 212(8) of the Capital Markets and Services Act 2007 and is therefore not subject to the approval of the SC. The SC has, vide its letter dated 7 March 2022, approved the resultant equity structure of the Company under the Bumiputera equity requirement for public listed companies pursuant to the Group's Listing, subject to certain conditions.

The IPO and Listing are pending completion.

B7. Loans and borrowings

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

		Unaudited As at 31 December 2021 RM'000	Audited As at 30 June 2021 RM'000
Non-current			
Lease liabilities	B7.1	15,576	21,248
		<u>15,576</u>	<u>21,248</u>
Current			
Term loans - secured		-	2,018
Lease liabilities	B7.1	1,172	914
		<u>1,172</u>	<u>2,932</u>

The above borrowings are denominated in Ringgit Malaysia.

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B7. Loans and borrowings (Cont'd)

B7.1 Lease liabilities

Lease liabilities are payable as follows:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Unaudited			
31.12.2021			
Less than one year	1,903	731	1,172
Between one to five years	8,562	2,303	6,258
Over 5 years	10,274	955	9,318
	<u>20,739</u>	<u>3,989</u>	<u>16,748</u>
Audited			
30.6.2021			
Less than one year	1,895	981	914
Between one to five years	10,966	3,199	7,768
Over 5 years	15,024	1,544	13,480
	<u>27,885</u>	<u>5,724</u>	<u>22,162</u>

B8. Material litigation

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

B9. Dividends

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

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B10. Earnings per ordinary share

The calculation of earnings per ordinary share at 31 December 2021 and 2020, was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	← Unaudited →			
	Individual quarter ended		Cumulative quarter ended	
	31 December		31 December	
	2021	2020	2021	2020
Profit for the financial period attributable to owners of the Company (RM'000)	<u>2,436</u>	<u>2,826</u>	<u>3,810</u>	<u>5,523</u>
Based on weighted average number of ordinary shares outstanding during the financial period ('000)	600,000	600,000 ⁽¹⁾	600,000	600,000 ⁽¹⁾
Earnings per ordinary share (sen)	<u>0.41</u>	<u>0.47</u>	<u>0.64</u>	<u>0.92</u>

⁽¹⁾ 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.

The Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.

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B11. Profit before taxation

	← Unaudited →			
	Individual quarter ended		Cumulative quarter ended	
	31 December		31 December	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/ (crediting):-				
Depreciation:				
- plant and equipment	735	781	1,520	1,524
- right-of-use assets	354	441	794	882
Directors' remuneration	1,671	-	2,231	-
Impairment loss of goodwill	5	-	5	-
Interest expense on lease liabilities	209	255	458	512
Listing expenses	465	-	930	-
Staff costs:				
- defined contribution benefits	406	147	646	285
- others	3,352	1,361	5,406	2,662
Interest expense on financial liabilities that are not fair value through profit or loss:				
- term loan	(7)	28	16	126
- others	-	-	-	1
COVID-19 related subsidies from government	-	(71)	-	(152)
Total interest income on financial assets measured at amortised cost	<u>(43)</u>	<u>(17)</u>	<u>(75)</u>	<u>(17)</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 proposed utilisation of proceeds from the IPO up to RM72.20 million is as follows:

	Proposed utilisation RM'000	%	Intended timeframe for utilisation upon listing
Expansion of existing medical centre	13,000	18.00	Within 36 months
Establishing new medical centres	37,100	51.38	Within 36 months
Working capital	17,404	24.11	Within 24 months
Defraying the listing expenses	<u>4,700</u>	<u>6.51</u>	Within 1 month
Total	<u>72,204</u>	<u>100.00</u>	

The proposed utilisation of the proceeds as disclosed above should be read in conjunction with the prospectus of the Company dated 30 March 2022. As at the date of this condensed combined interim financial report, the IPO and Listing are pending completion, and therefore, the proceeds have yet to be raised and utilised.