

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Audited			Audited	
		As at 30 Jun			As at 31 Oct	
		2018	2019	2020	2021	2021
		RM	RM	RM	RM	RM
	Note					
ASSETS						
NON-CURRENT ASSETS						
Investment in associates	4	-	-	-	500	300
Investment in a joint venture	5	-	-	-	-	-
Plant and equipment	6	20,606,652	19,681,164	17,369,875	15,972,767	15,006,265
Right-of-use assets	7	22,643,322	20,878,908	19,114,494	17,350,080	16,761,939
TOTAL NON-CURRENT ASSETS		43,249,974	40,560,072	36,484,369	33,323,347	31,768,504
CURRENT ASSETS						
Inventories	8	503,812	882,814	773,819	944,097	1,020,263
Trade receivables	9	1,461,850	2,597,468	3,426,327	4,495,965	4,104,877
Other receivables, deposits and prepayments	10	779,619	573,352	692,830	815,794	902,271
Current tax assets		-	12,000	-	-	-
Deposits with financial institution	11	-	-	-	5,750,000	9,308,773
Cash and bank balances	12	943,824	1,318,557	5,714,159	648,191	310,703
TOTAL CURRENT ASSETS		3,689,105	5,384,191	10,607,135	12,654,047	15,646,887
TOTAL ASSETS		46,939,079	45,944,263	47,091,504	45,977,394	47,415,391

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	2018 RM	2019 RM	Audited As at 30 Jun 2020 RM	2021 RM	Audited As at 31 Oct 2021 RM
EQUITY AND LIABILITIES						
EQUITY						
Share capital	13	-	-	-	12,240,001	12,240,001
Invested capital	14	12,500,000	12,500,000	12,500,000	-	-
Reorganisation reserves	15	-	-	-	1,530,450	1,530,450
(Accumulated losses)/Retained profits		(8,140,047)	(6,663,572)	(2,711,607)	8,281	2,211,264
TOTAL EQUITY		4,359,953	5,836,428	9,788,393	13,778,732	15,981,715
NON-CURRENT LIABILITIES						
Lease liabilities	16	23,455,515	22,902,352	22,161,580	21,247,481	20,699,645
Bank borrowings	17	9,131,821	6,027,556	2,018,063	-	-
TOTAL NON-CURRENT LIABILITIES		32,587,336	28,929,908	24,179,643	21,247,481	20,699,645
CURRENT LIABILITIES						
Trade payables	18	1,425,490	2,951,877	3,577,239	5,301,319	3,528,226
Other payables and accruals	19	3,561,581	2,472,887	3,124,381	2,219,176	4,600,852
Amount owing to former holding company	20	1,100,000	1,100,000	1,100,000	-	-
Amount owing to directors	21	-	-	-	27,300	78,700
Lease liabilities	16	504,719	553,163	740,773	914,099	1,207,524
Bank borrowings	17	3,400,000	4,100,000	4,000,000	2,018,063	1,018,063
Current tax liabilities		-	-	581,075	471,224	300,666
TOTAL CURRENT LIABILITIES		9,991,790	11,177,927	13,123,468	10,951,181	10,734,031
TOTAL LIABILITIES		42,579,126	40,107,835	37,303,111	32,198,662	31,433,676
TOTAL EQUITY AND LIABILITIES		46,939,079	45,944,263	47,091,504	45,977,394	47,415,391

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Audited			Unaudited		Audited
		2018	2019	2020	Four-month period	Four-month period	
		RM	RM	RM	2020	2021	RM
					RM	RM	
Revenue	22	11,679,110	28,183,242	39,179,548	20,728,883	20,523,980	
Cost of sales		(6,672,547)	(15,350,994)	(21,665,193)	(11,941,215)	(12,375,228)	
Gross profit		5,006,563	12,832,248	17,514,355	8,787,668	8,148,752	
Other income		-	-	96,000	120,385	211,803	
Administrative expenses		5,006,563	12,832,248	17,610,355	8,908,053	8,360,555	
Other expenses		(7,217,143)	(9,315,864)	(10,483,051)	(3,623,145)	(4,591,918)	
		-	(232,250)	(11,460)	-	(5,084)	
(Loss)/Profit from operations		(7,217,143)	(9,548,114)	(10,494,511)	(3,623,145)	(4,597,002)	
Finance costs		(2,210,580)	3,284,134	7,115,844	5,284,908	3,763,553	
		(1,928,999)	(1,807,659)	(1,582,008)	(450,283)	(357,906)	
Share of loss of equity accounted joint venture		(4,139,579)	1,476,475	5,533,836	4,834,625	3,405,647	
		-	-	-	-	-	
(Loss)/Profit before taxation	23	(4,139,579)	1,476,475	5,533,836	4,834,625	3,405,647	
Income tax expense	24	-	-	(1,581,871)	(1,296,000)	(1,202,664)	
(Loss)/Profit after taxation		(4,139,579)	1,476,475	3,951,965	3,538,625	2,202,983	
Other comprehensive income		-	-	-	-	-	
Total comprehensive (expenses)/income for the financial year/period		(4,139,579)	1,476,475	3,951,965	3,538,625	2,202,983	

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	2018 RM	2019 RM	Audited FYE 30 Jun 2020 RM	2021 RM	Unaudited Four-month Period FPE 31 Oct 2020 RM	Audited Period 2021 RM
(Loss)/Profit after taxation/Total comprehensive (expenses) /income for the financial year/period attributable to:-							
Owners of the Company							
		(4,139,579)	1,476,475	3,951,965	10,004,524	3,538,625	2,202,983
(Loss)/Earnings per share (sen)							
Basic	25	(33)	12	32	2	28	#
Diluted	25	(33)	12	32	2	28	#

- Amount less than 1 sen.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

<u>Audited</u>	Note	Share Capital RM	Invested Capital RM	Reorganisation Reserves RM	(Accumulated Losses)/ Retained Profits RM	Total Equity RM
Balance as at 1 July 2017		-	12,500,000	-	(4,000,468)	8,499,532
Loss after taxation/Total comprehensive expenses for the financial year		-	-	-	(4,139,579)	(4,139,579)
Balance as at 30 June 2018/1 July 2018		-	12,500,000	-	(8,140,047)	4,359,953
Profit after taxation/Total comprehensive income for the financial year		-	-	-	1,476,475	1,476,475
Balance as at 30 June 2019/1 July 2019		-	12,500,000	-	(6,663,572)	5,836,428
Profit after taxation/Total comprehensive income for the financial year		-	-	-	3,951,965	3,951,965
Balance as at 30 June 2020/1 July 2020		-	12,500,000	-	(2,711,607)	9,788,393
Profit after taxation/Total comprehensive income for the financial year		-	-	-	10,004,524	10,004,524
Contribution by and distributions to owners of the Company:						
- Incorporation of the Company		1	-	-	-	1
- Issuance of shares by a subsidiary		-	1,270,450	-	-	1,270,450
- Issuance of shares for the acquisition of a subsidiary	13	12,240,000	-	-	-	12,240,000
- Dividends	27	-	-	-	(7,284,636)	(7,284,636)
- Adjustment on the acquisition of a subsidiary		-	(13,770,450)	1,530,450	-	(12,240,000)
Total transactions with owners		12,240,001	(12,500,000)	1,530,450	(7,284,636)	(6,014,185)
Balance as at 30 June 2021/1 July 2021		12,240,001	-	1,530,450	8,281	13,778,732
Profit after taxation/Total comprehensive income for the financial period		-	-	-	2,202,983	2,202,983
Balance as at 31 October 2021		12,240,001	-	1,530,450	2,211,264	15,981,715
<u>Unaudited</u>						
Balance as at 1 July 2020		-	12,500,000	-	(2,711,607)	9,788,393
Profit after taxation/Total comprehensive income for the financial period		-	-	-	3,538,625	3,538,625
Contribution by owners of the Company: - issuance of shares by a subsidiary		-	420,000	-	-	420,000
Balance as at 31 October 2020		-	12,920,000	-	827,018	13,747,018

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Audited			Unaudited		Audited
		2018	2019	2020	2020	Four-month period	
		RM	RM	RM	RM	FPE 31 Oct	2021
						<----->	RM
CASH FLOWS FROM OPERATING ACTIVITIES							
(Loss)/Profit before taxation		(4,139,579)	1,476,475	5,533,836	4,834,625		3,405,647
Adjustments for:-							
Bad debt written off		-	3,290	867	-		374
Depreciation of plant and equipment		1,947,629	2,677,141	2,903,776	1,003,349		1,030,146
Depreciation of right-of-use assets		1,764,414	1,764,414	1,764,414	588,140		588,141
Impairment loss of goodwill		-	-	-	-		4,710
Interest expense		839,805	739,094	539,933	108,112		26,909
Interest expense on lease liabilities		1,089,194	1,068,565	1,042,075	342,171		330,997
Loss on disposal of plant and equipment		-	-	10,593	-		-
Share of loss of equity accounted joint venture		-	-	-	300		-
Plant and equipment written off		-	228,960	-	-		-
Interest income		-	-	-	(2,326)		(43,917)
Operating profit before working capital changes		1,501,463	7,957,939	11,795,494	6,874,071		5,343,007
(Increase)/Decrease in inventories		(430,081)	(379,002)	108,995	(123,195)		(76,166)
Increase in trade and other receivables		(1,519,869)	(932,641)	(949,204)	(1,054,949)		304,237
Increase in trade and other payables		4,943,503	437,693	1,276,856	514,883		602,120
Increase/(Decrease) in amount owing to former holding company		1,100,000	-	-	(1,100,000)		-
Increase in amount owing to directors		-	-	-	27,300		51,400
CASH FROM OPERATIONS		5,595,016	7,083,989	12,232,141	5,110,810		6,224,598
Tax paid		(5,358)	(12,000)	(988,796)	(576,539)		(1,373,222)
Interest paid		(408)	(245)	(4,751)	(250)		(252)
NET CASH FROM OPERATING ACTIVITIES		5,589,250	7,071,744	11,238,594	4,534,021		4,851,124

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited				Unaudited		Audited
		2018	2019	2020	2021	Four-month period	Four-month period	
		RM	RM	RM	RM	2020	2021	RM
						FPE 31 Oct	FPE 31 Oct	
						2020	2021	
						RM	RM	
CASH FLOWS FOR INVESTING ACTIVITIES								
Acquisition of a subsidiary, net of cash and cash equivalent acquired	26	-	-	-	-	-	1,953	-
Investment in associates		-	-	-	(500)	-	-	-
Investment in a joint venture		-	-	-	(300)	(300)	-	-
(Placement)/Upliftment of deposits with tenure more than 3 months		-	-	-	(2,000,000)	(4,000,000)	197,248	(1,000,000)
Increase in pledged of deposit as security		10	10	10	10	-	-	-
Decrease in pledged of bank balances as security	12	-	-	-	60,941	2,326	43,917	-
Interest received		(4,486,931)	(1,980,613)	(610,080)	(1,698,116)	(1,340,069)	(63,644)	-
Purchase of plant and equipment		-	-	7,000	-	-	-	-
Proceeds from disposal of plant and equipment		-	-	-	-	-	-	-
NET CASH USED IN INVESTING ACTIVITIES		(4,486,921)	(1,980,603)	(603,070)	(3,637,965)	(5,338,043)	(820,526)	
CASH FLOWS FOR FINANCING ACTIVITIES								
Dividends paid	27	-	-	-	-	-	-	-
Interest paid		(1,928,591)	(1,807,414)	(1,577,257)	(7,284,636)	(450,033)	(357,654)	-
Drawdown of term loans	28(a)	1,680,169	-	-	(1,220,849)	-	-	-
Proceeds from issuance of ordinary shares of a subsidiary	14(b)	-	-	-	1,270,450	420,000	-	-
Repayment of lease liabilities	28(a)	(447,502)	(504,719)	(553,162)	(740,773)	(243,237)	(254,411)	-
Repayment of term loan	28(a)	-	(1,404,265)	(3,109,493)	(4,000,000)	(1,000,000)	(1,000,000)	-
Repayment of revolving credit	28(a)	-	(1,000,000)	(1,000,000)	-	-	-	-
NET CASH USED IN FINANCING ACTIVITIES		(695,924)	(4,716,398)	(6,239,912)	(11,975,808)	(1,273,270)	(1,612,065)	

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2018 RM	2019 RM	2020 RM	2021 RM	Audited FYE 30 Jun	Unaudited Four-month period FPE 31 Oct	Audited 2021 RM
						< ----- >	< ----- >	
						2020	2020	2021
						RM	RM	RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		406,405	374,743	4,395,612	(1,315,959)		(2,077,292)	2,418,533
CASH AND CASH EQUIVALENTS AT DATE OF INCORPORATION	13	-	-	-	1		-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		371,223	777,628	1,152,371	5,547,983		5,547,983	4,232,025
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	28(c)	777,628	1,152,371	5,547,983	4,232,025		3,470,691	6,650,558

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Cengild Medical Berhad ("**Cengild Medical**") was incorporated in Malaysia on 3 February 2021 as a private limited liability company and is principally engaged in investment holding.

The Company was incorporated with a total paid-up share capital of RM1 comprising 1 ordinary share.

On 2 July 2021, the Company was converted from a private limited company to a public company limited by shares.

The Company was incorporated for the purpose of acquiring the combining entity, Cengild Sdn. Bhd. pursuant to the proposed listing exercise as disclosed in Note 34(b) to the Accountants' Report.

The information of entity within the combined and consolidated financial statements is as follows:

- (a) Cengild Sdn. Bhd. ("**Cengild**") was incorporated in Malaysia on 9 March 2015 as a private limited liability company and is principally engaged in the business of healthcare specialising in the diagnosis and treatment of gastrointestinal, liver disease and morbid obesity.
- (b) Galen Primer Sdn. Bhd. ("**GPSB**") was incorporated in Malaysia on 8 January 2021 as a private limited liability company and is principally engaged in the business of healthcare specialising in the diagnosis and treatment of cancer. Currently, GPSB is dormant.

The Company and its subsidiaries collectively defined as "**the Group**".

2. BASIS OF PREPARATION

The combined financial statements for the FYE 30 June 2018, 30 June 2019 and 30 June 2020 are prepared based on the financial statements of Cengild. While the consolidated financial statements for the FYE 30 June 2021 are prepared based on the financial statements of Cengild and the Company. The consolidated financial statements for 4-month FPE 31 October 2021 are prepared based on the financial statements of Cengild, GPSB and the Company.

The combined and consolidated financial statements of the Group are the combination or aggregation of all the financial statements of the combining entities in the Group and have been prepared based on the financial statements for the relevant financial years/period as follows:-

Entities	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FPE 2021
Cengild Medical	*	*	*	√, #	√, #
Cengild	√, @	√, @	√, @	√, #	√, #
GPSB	^	^	^	^	α

- √ The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years/period.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

- α During the FPE 2021, Cengild acquired an additional 80% equity interests in GPSB from its non-controlling interests and GPSB became a wholly-owned subsidiary of the Company. Hence, the consolidated financial statements of the Group are prepared for the FPE 31 October 2021.

The basis of consolidation is disclosed in Note 3.2 to the financial statements.

- * No financial statements are available for Cengild Medical as the Company was incorporated on 3 February 2021.

- ^ No financial statements are available for GPSB as GPSB became a wholly-owned subsidiary of the Company on 8 October 2021.

- @ The combined financial statements of the Group for the respective financial years/periods have been prepared based on the audited financial statements which were re-audited by Crowe Malaysia PLT and in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, for the purpose of inclusion into the combined financial statements of the Group.

- # The financial statements have been prepared based on the audited financial statements which were audited by Crowe Malaysia PLT and in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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

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

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

All material intra-group transactions and balances have been eliminated on combination.

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRSs and International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.1 During the current financial period, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

- 2.2 Early adoption of new accounting standards

For the preparation of the combined financial statements, the Group assumes early adoption of the following standards with the initial application date of 1 July 2017 to enhance comparability:

MFRSs	Effective Date
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.3 The Group has not applied in advance the following accounting standards and/or interpretations (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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the combined financial statements of the Group upon their initial application.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of plant and equipment as at the reporting date is disclosed in Note 6 to the combined financial statements.

(b) Impairment of Investments in Associates, Investment in a Joint Venture, Plant and Equipment and Right-of-use Assets

The Group determines whether its investments in associates, investment in a joint venture, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of investments in associates, investment in a joint venture, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 4, 5, 6 and 7 to the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)****(c) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the combined financial statements.

(d) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales (including changes in the customer payment profile in response to the COVID-19 pandemic) and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 9 to the combined financial statements.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade receivables are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information incorporating the impact of COVID-19 pandemic. The carrying amount of other receivables as at the reporting date is disclosed in Note 10 to the combined financial statements.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities of the Group as at the reporting date is RM300,666 (30.6.2018 – Nil, 30.6.2019 – current tax assets of RM12,000, 30.6.2020 – current tax liabilities of RM581,075 and 30.6.2021 – current tax liabilities of RM471,224).

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.2 BASIS OF CONSOLIDATION

The combined and consolidated financial statements include the financial statements of the Group made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are combined from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined and consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Entities under Common Control

Acquisition of entity under a reorganisation scheme does not result in any change in economic substance. Accordingly, the combined and consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:-

- (i) the results of entities are presented as if the reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- (ii) the Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method; and
- (iii) no new goodwill is recognised as a result of the reorganisation. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reorganisation reserve or deficit.

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the combined and consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(d) Changes in Ownership Interests in Subsidiaries Without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 GOODWILL**

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates and joint venture.

3.4 FUNCTIONAL AND PRESENTATION CURRENCIES

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency.

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 FINANCIAL INSTRUMENTS (CONT'D)**

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets (Cont'd)***Debt Instruments (Cont'd)***(iii) Fair Value through Profit or Loss**

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities**(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 INVESTMENT IN ASSOCIATES

An associate is an entity in which the Group have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to end of reporting period. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 INVESTMENT IN ASSOCIATES (CONT'D)**

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

3.7 JOINT ARRANGEMENT

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to the end of reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statements of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's investment in the joint venture is carried in the consolidated statements of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 JOINT ARRANGEMENT (CONT'D)****Joint Ventures (Cont'd)**

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the joint venture is the carrying amount of the investment in the joint venture determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

3.8 PLANT AND EQUIPMENT

All items of plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation on plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 PLANT AND EQUIPMENT (CONT'D)**

The principal annual rates used for this purpose are:-

Computer equipment	33.33%
Furniture and fittings	12.5%
Electrical equipment	20%
Medical equipment	20%
Office equipment	20%
Renovation	5%

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

3.9 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.9 LEASES (CONT'D)**

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined over the lease period.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

3.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

3.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.12 IMPAIRMENT**(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.12 IMPAIRMENT (CONT'D)****(a) Impairment of Financial Assets (Cont'd)**

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.13 EMPLOYEE BENEFITS****(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

3.14 INCOME TAXES**(a) Current Tax**

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.14 INCOME TAXES (CONT'D)**

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

3.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.16 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the combined and consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined and consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive ordinary shares.

3.17 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.18 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 FAIR VALUE MEASUREMENTS (CONT'D)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3.19 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.19 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)****(a) Consultant services**

Consultant services represent consultation and treatment services provided to patients. Consultant services are recognised at a point in time when service rendered.

(b) Medical management services

Medical management services generally relate to contracts with patients in which performance obligations are to provide nursing and clinical support services. The performance obligations for inpatient services are generally satisfied over a short period, and revenue from inpatients is recorded when the healthcare services is performed. The performance obligations for outpatient and day care services are generally satisfied over a period of less than one day, and revenue is also recorded when the healthcare services is performed. The Group has a range of credit terms which are typically short term, in line with market practice, and without any financing component. There are no variable considerations, and no obligation for returns or refunds or warranties for healthcare-related services.

(c) Others

Others represent contribution by certain resident consultants whereby a fixed percentage of the consultation and treatment fees earned by them in other medical centre is contributed to the Group. Other services are recognised at a point in time on a monthly basis when the medical consultants received their income from other medical centres.

3.20 OTHER OPERATING INCOME**(a) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

(b) Management fee

Management fees charged to a joint venture for the provision of management and administrative services. Management fee is recognised on monthly basis.

(c) External consultancy fee

External consultancy fee represents a portion of consultation and treatment fees earned by employee consultant in others medical centre to be contributed to the Group. External consultancy fee is recognised when the employee consultants received their income from other medical centres.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. INVESTMENT IN ASSOCIATES**

	Audited				Audited
	As at 30 Jun				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Unquoted shares, at cost	-	-	-	500	300

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Percentage of Ownership					Principal Activities
		As at 30 Jun				As at 31 Oct	
		2018	2019	2020	2021	2021	
		%	%	%	%	%	
UNCKL Sdn. Bhd. ("UNCKL")	Malaysia	-	-	-	30	30	Activities of holding companies; specialised medical services; and to set up a specialist medical practice and to provide consultancy on the medical treatment relating to the function and disorders of urinary system. Currently, UNCKL is dormant.
Galen Primer Sdn. Bhd. ("GPSB")	Malaysia	-	-	-	20	-	Activities of holding companies; specialised medical services; and to set up a specialist medical practice and to provide consultancy on the medical treatment deals with the diagnosis and treatment of cancer. Currently, GPSB is dormant.

These associates are audited by other firms of chartered accountants.

- On 18 December 2020, Cengild subscribed 300 new ordinary shares of RM1 each in UNCKL for a total consideration of RM300 representing 30% of the entire issued and paid up capital of UNCKL.
- On 8 January 2021, Cengild subscribed 200 new ordinary shares of RM1 each in GPSB for a total consideration of RM200 representing 20% of the entire issued and paid up capital of GPSB.
- On 8 October 2021, Cengild acquired an additional 80% equity interests in GPSB from its non-controlling interests for a total consideration of RM800. Following the completion of the acquisition, GPSB became a wholly-owned subsidiary of the Company.
- The share of results in associates and financial information are not presented as the financial statements of the associates have not been made available.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****5. INVESTMENT IN A JOINT VENTURE**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Unquoted shares, at cost	-	-	-	300	300
Share of post-Acquisition loss	-	-	-	(300)	(300)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The detail of the joint venture is as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Percentage of Ownership					Principal Activities
		As at				As at	
		< ----- 30 Jun ----- >				31 Oct	
		2018	2019	2020	2021	2021	
		%	%	%	%	%	
Cardiac Care Centre Sdn. Bhd. ("CCCSB")	Malaysia	-	-	-	30	30	Activities of holding companies; specialised medical services; and to set up a specialist medical practice and to provide consultancy on the medical treatment in treating heart-related disorder and issues.

This joint venture to be audited by other firms of chartered accountants and without audited financial statements and auditors' reports but the unaudited financial statements of the joint venture was adopted by the Group for the purpose of the combined financial statements of the Group.

- On 9 August 2020, Cengild subscribed 300 new ordinary shares of RM1 each in CCCSB for a total consideration of RM300 representing 30% of the entire issued and paid up capital of CCCSB.
- The Group's involvement in joint arrangement is structured through separate vehicle which provide the Group rights to the net assets of the entity. Accordingly, the Group has classified this investment as joint venture.
- Although the Group holds less than 50% of the voting power in CCCSB, the Group has determined that the strategic and financial decisions of the relevant activities of the investee require unanimous consent by all shareholders.
- The Group has not recognised further loss of CCCSB, where its share of loss exceeds the Group's interest in this joint venture. The Group's cumulative share of unrecognised loss at the end of the reporting period was RM5,720 (30.6.2018: Nil, 30.6.2019: Nil, 30.6.2020: Nil, 30.6.2021: RM6,612).

Summarised financial information has not been presented as the joint venture is not individually material to the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. PLANT AND EQUIPMENT

	Capital work- in-progress RM	Computer equipment RM	Furniture and fittings RM	Electrical equipment RM	Medical equipment RM	Office equipment RM	Renovation RM	Total RM
Carrying amount as at 1 July 2017	12,317,990	150,273	34,712	42,604	5,481,242	3,207	37,322	18,067,350
Additions	636,829	220,459	288,005	28,380	2,034,432	2,544	1,276,282	4,486,931
Reclassification	(12,317,990)	-	-	-	-	-	12,317,990	-
Depreciation charges	-	(105,857)	(33,343)	(13,209)	(1,227,328)	(1,150)	(566,742)	(1,947,629)
Carrying amount as at 1 July 2018	636,829	264,875	289,374	57,775	6,288,346	4,601	13,064,852	20,606,652
Additions	-	498,973	114,179	31,560	598,119	-	737,782	1,980,613
Written off	(228,960)	-	-	-	-	-	-	(228,960)
Reclassification	(407,869)	238,488	-	(7,600)	176,981	-	-	-
Depreciation charges	-	(314,885)	(65,503)	(11,826)	(1,585,056)	(1,150)	(698,721)	(2,677,141)
Carrying amount as at 30 June 2019/1 July 2019	-	687,451	338,050	69,909	5,478,390	3,451	13,103,913	19,681,164
Additions	10,250	84,902	1,080	6,740	502,108	-	5,000	610,080
Disposal	-	-	-	-	(17,593)	-	-	(17,593)
Depreciation charges	-	(392,522)	(54,735)	(19,775)	(1,716,978)	(1,151)	(718,615)	(2,903,776)
Carrying amount as at 30 June 2020/1 July 2020	10,250	379,831	284,395	56,874	4,245,927	2,300	12,390,298	17,369,875
Additions	-	60,756	15,507	16,150	1,595,702	-	10,001	1,698,116
Reclassification	(10,250)	-	-	10,250	-	-	-	-
Depreciation charges	-	(299,956)	(55,607)	(24,932)	(1,994,694)	(1,150)	(718,885)	(3,095,224)
Carrying amount as at 30 June 2021/1 July 2021	-	140,631	244,295	58,342	3,846,935	1,150	11,681,414	15,972,767
Additions	-	12,687	2,683	-	43,251	5,023	-	63,644
Depreciation charges	-	(71,048)	(18,965)	(8,539)	(691,220)	(634)	(239,740)	(1,030,146)
Carrying amount as at 31 October 2021	-	82,270	228,013	49,803	3,198,966	5,539	11,441,674	15,006,265

13. ACCOUNTANTS' REPORT (Cont'd)

CENGILD MEDICAL BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. PLANT AND EQUIPMENT (CONT'D)

	Capital work- in progress RM	Computer equipment RM	Furniture and fittings RM	Electrical equipment RM	Medical equipment RM	Office equipment RM	Renovation RM	Total RM
As at 30 June 2018								
At cost	636,829	370,732	322,717	70,984	7,515,674	5,751	13,631,594	22,554,281
Accumulated depreciation	-	(105,857)	(33,343)	(13,209)	(1,227,328)	(1,150)	(566,742)	(1,947,629)
Carrying amount	636,829	264,875	289,374	57,775	6,288,346	4,601	13,064,852	20,606,652
As at 30 June 2019								
At cost	-	1,108,193	436,896	94,944	8,290,774	5,751	14,369,376	24,305,934
Accumulated depreciation	-	(420,742)	(98,846)	(25,035)	(2,812,384)	(2,300)	(1,265,463)	(4,624,770)
Carrying amount	-	687,451	338,050	69,909	5,478,390	3,451	13,103,913	19,681,164
As at 30 June 2020								
At cost	10,250	1,193,095	437,976	101,684	8,756,482	5,751	14,374,376	24,879,614
Accumulated depreciation	-	(813,264)	(153,581)	(44,810)	(4,510,555)	(3,451)	(1,984,078)	(7,509,739)
Carrying amount	10,250	379,831	284,395	56,874	4,245,927	2,300	12,390,298	17,369,875
As at 30 June 2021								
At cost	-	1,253,851	453,483	128,084	10,352,184	5,751	14,384,377	26,577,730
Accumulated depreciation	-	(1,113,220)	(209,188)	(69,742)	(6,505,249)	(4,601)	(2,702,963)	(10,604,963)
Carrying amount	-	140,631	244,295	58,342	3,846,935	1,150	11,681,414	15,972,767
As at 31 October 2021								
At cost	-	1,266,538	456,166	128,084	10,395,435	10,774	14,384,377	26,641,374
Accumulated depreciation	-	(1,184,268)	(228,153)	(78,281)	(7,196,469)	(5,235)	(2,942,703)	(11,635,109)
Carrying amount	-	82,270	228,013	49,803	3,198,966	5,539	11,441,674	15,006,265

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****7. RIGHT-OF-USE ASSETS**

	As at 1 Jul 2017 RM	Depreciation Charge RM	As at 30 Jun 2018 RM
30 Jun 2018			
<i>Carrying amount</i>			
Premises	24,407,736	(1,764,414)	22,643,322
	As at 1 Jul 2018 RM	Depreciation Charge RM	As at 30 Jun 2019 RM
30 Jun 2019			
<i>Carrying amount</i>			
Premises	22,643,322	(1,764,414)	20,878,908
	As at 1 Jul 2019 RM	Depreciation Charge RM	As at 30 Jun 2020 RM
30 Jun 2020			
<i>Carrying amount</i>			
Premises	20,878,908	(1,764,414)	19,114,494
	As at 1 Jul 2020 RM	Depreciation Charge RM	As at 30 Jun 2021 RM
30 Jun 2021			
<i>Carrying amount</i>			
Premises	19,114,494	(1,764,414)	17,350,080
	As at 1 Jul 2021 RM	Depreciation Charge RM	As at 31 Oct 2021 RM
31 Oct 2021			
<i>Carrying amount</i>			
Premises	17,350,080	(588,141)	16,761,939

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****7. RIGHT-OF-USE ASSETS (CONT'D)**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
At cost	24,407,736	24,407,736	24,407,736	24,407,736	24,407,736
Accumulated depreciation	(1,764,414)	(3,528,828)	(5,293,242)	(7,057,656)	(7,645,797)
Carrying amount	<u>22,643,322</u>	<u>20,878,908</u>	<u>19,114,494</u>	<u>17,350,080</u>	<u>16,761,939</u>

The Group has leased premises that run 3 years, with an option to renew the lease for a further of 12 years. Lease payments are increased every 3 years at the revised rent rate to be based on the prevailing market rate.

8. INVENTORIES

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Medical supplies and consumable goods	<u>503,812</u>	<u>882,814</u>	<u>773,819</u>	<u>944,097</u>	<u>1,020,263</u>
Recognised in profit or loss:-					
Inventories recognised as cost of sales	<u>1,581,211</u>	<u>3,089,219</u>	<u>4,276,948</u>	<u>5,927,854</u>	<u>2,029,540</u>

9. TRADE RECEIVABLES

The Group's normal trade terms range from 15 days to 60 days (30.6.2018: 15 days to 60days, 30.6.2019: 15 days to 60 days, 30.6.2020: 15 days to 60 days, 30.6.2021: 15 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Other receivables:					
- external parties	163,781	-	2,496	14,837	18,636
- associates	-	-	-	12,070	162
- a joint venture	-	-	-	68,282	67,642
	<u>163,781</u>	<u>-</u>	<u>2,496</u>	<u>95,189</u>	<u>86,440</u>
Deposits	573,632	518,672	592,618	595,394	597,958
Prepayments	42,206	54,680	97,716	125,211	217,873
	<u>779,619</u>	<u>573,352</u>	<u>692,830</u>	<u>815,794</u>	<u>902,271</u>

The amount owing by associates and a joint venture are unsecured, interest-free and receivable on demand. The amount owing is to be settled in cash.

11. DEPOSITS WITH FINANCIAL INSTITUTION

- (a) The deposits with financial institution of the Group at the end of the reporting period bore effective interest rates ranging from 1.40% to 2.15% (30.6.2018: Nil, 30.6.2019: Nil, 30.6.2020: Nil, 30.6.2021: 1.30% to 2.15%) per annum. The deposits have maturity periods ranging from 15 days to 275 days (30.6.2018: Nil, 30.6.2019: Nil, 30.6.2020: Nil, 30.6.2021: 9 days to 275 days).
- (b) Included in deposits in financial institution of the Group was an amount of RM1,000,000 (30.6.2018: Nil, 30.6.2019: Nil, 30.6.2020: Nil, 30.6.2021: Nil) which has been pledged to a financial institution as security for banking facilities granted to the Group as disclosed in Note 17 to the financial statements.

12. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group is an amount of RM166,166 (30.6.2018: RM166,196, 30.6.2019: RM166,186, 30.6.2020: RM166,176, 30.6.2021: RM166,166) pledged as security for banking facilities granted to the Group as disclosed in Note 17 to the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****13. SHARE CAPITAL**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	< ----- Number of Shares ----- >				
Issued and Fully Paid-up:					
Ordinary shares					
At date of incorporation/At beginning of the financial period	-	-	-	1	600,000,000
Issuance of shares for the acquisition of a subsidiary	-	-	-	599,999,999	-
At end of the year/period	-	-	-	600,000,000	600,000,000
	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Issued and Fully Paid-up:					
Ordinary shares					
At date of incorporation/At beginning of the financial period	-	-	-	1	12,240,001
Issuance of shares for the acquisition of a subsidiary	-	-	-	12,240,000	-
At end of the year/period	-	-	-	12,240,001	12,240,001

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****13. SHARE CAPITAL (CONT'D)**

- (a) The holders of ordinary shares are entitled to receive dividend as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.
- (b) On 28 May 2021, the Company increased its issued and paid-up share capital from RM1 to approximately RM12,240,001 by way of issuance of 599,999,999 new ordinary shares for a total consideration of approximately RM12,240,000 as full payment for the acquisition of the entire issued and paid-up share capital for Cengild Sdn. Bhd.

The new ordinary shares issued rank pari passu in all respect with the existing ordinary shares of the Company.

14. INVESTED CAPITAL

	<div>< ----- Audited ----- ></div> <div>< ----- As at 30 Jun ----- ></div>				Audited
	2018	2019	2020	2021	As at 31 Oct 2021
	<div>< ----- Number of Shares ----- ></div>				
Issued and Fully Paid-up:					
Ordinary shares					
At beginning of the year/period	12,500,000	12,500,000	12,500,000	12,500,000	-
Issuance of new shares for cash	-	-	-	802,367	-
Adjustment on the acquisition of a subsidiary	-	-	-	(13,302,367)	-
At end of the year/period	12,500,000	12,500,000	12,500,000	-	-

	Audited As at 30 Jun				Audited As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Issued and Fully Paid-up:					
Ordinary shares					
At beginning of the year/period	12,500,000	12,500,000	12,500,000	12,500,000	-
Issuance of new shares for cash	-	-	-	1,270,450	-
Adjustment on the acquisition of a subsidiary	-	-	-	(13,770,450)	-
At end of the year/period	12,500,000	12,500,000	12,500,000	-	-

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****14. INVESTED CAPITAL (CONT'D)**

- (a) The holders of ordinary shares are entitled to receive dividend as and when declared by the company, and are entitled to one vote per ordinary share at meetings of the company. The ordinary shares have no par value.
- (b) During the FYE 2021, Cengild increased its issued and paid-up share capital from RM12,500,000 to RM13,770,450 by way of issuance of new ordinary shares as follows:-

Date of allotment	Number of ordinary shares	Issue price RM	Cash consideration RM
1 Sep 2020	150,000	1.20	180,000
10 Sep 2020	100,000	1.20	120,000
8 Oct 2020	100,000	1.20	120,000
30 Dec 2020	452,367	1.88	850,450
	<u>802,367</u>		<u>1,270,450</u>

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of Cengild.

15. REORGANISATION RESERVES

The reorganisation reserves 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-interest method of accounting.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****16. LEASE LIABILITIES**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
At beginning of the year/period	24,407,736	23,960,234	23,455,515	22,902,353	22,161,580
Interest expense recognised in profit or loss	1,089,194	1,068,565	1,042,075	1,015,451	330,997
Repayment of principal	(447,502)	(504,719)	(553,162)	(740,773)	(254,411)
Repayment of interest expense	(1,089,194)	(1,068,565)	(1,042,075)	(1,015,451)	(330,997)
At end of the year/period	<u>23,960,234</u>	<u>23,455,515</u>	<u>22,902,353</u>	<u>22,161,580</u>	<u>21,907,169</u>
Analysed by:-					
Current liabilities	504,719	553,163	740,773	914,099	1,207,524
Non-current liabilities	<u>23,455,515</u>	<u>22,902,352</u>	<u>22,161,580</u>	<u>21,247,481</u>	<u>20,699,645</u>
	<u>23,960,234</u>	<u>23,455,515</u>	<u>22,902,353</u>	<u>22,161,580</u>	<u>21,907,169</u>

The lease terms is 9.5 years (30.6.2018: 12.8 years, 30.6.2019: 11.8 years, 30.6.2020: 10.8 years, 30.6.2021: 9.8 years) and bear effective interest rates at 4.50% (30.6.2018: 4.50%, 30.6.2019: 4.50%, 30.6.2020: 4.50%, 30.6.2021: 4.50%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****17. BANK BORROWINGS**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Non-current liabilities:-					
Term loan	9,131,821	6,027,556	2,018,063	-	-
Current liabilities:-					
Term loan	1,400,000	3,100,000	4,000,000	2,018,063	1,018,063
Revolving credit	2,000,000	1,000,000	-	-	-
	<u>3,400,000</u>	<u>4,100,000</u>	<u>4,000,000</u>	<u>2,018,063</u>	<u>1,018,063</u>

(a) The effective interest rates of the borrowings are as follow:-

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	%	%	%	%
Term loan	6.40	6.25	5.25	4.50	4.50
Revolving credit	5.07	6.60	6.50	-	-

- (b) The banking facilities are secured by:
- fixed and floating charge over the present and future assets of the Group;
 - shareholders of the former immediate corporate shareholders of Cengild and former holding company;
 - corporate guarantee from former corporate shareholder and former holding company;
 - debts service reserve account and operating account of the Group as disclosed in Note 12 to the financial statements; and
 - a pledge of deposit with financial institution amounting to RM1,000,000 (30.6.2018: Nil, 30.6.2019: Nil, 30.6.2020: Nil, 30.6.2021: Nil) as disclosed in Note 11 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****18. TRADE PAYABLES**

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Trade payables:					
- consultant payables	866,134	2,154,144	2,404,170	3,114,472	1,447,433
- other payables	559,356	797,733	1,173,069	2,186,847	2,080,793
	<u>1,425,490</u>	<u>2,951,877</u>	<u>3,577,239</u>	<u>5,301,319</u>	<u>3,528,226</u>

- (a) The normal trade terms granted to the Group is 30 days to 60 days (30.6.2018: 30 days to 60 days, 30.6.2019: 30 days to 60 days, 30.6.2020: 30 days to 60 days and 30.6.2021: 30 days to 60 days).
- (b) Included in trade payables is amount of RM199,639 (30.6.2018: RM534,045, 30.6.2019: RM1,404,835, 30.6.2020: RM861,492 and 30.6.2021: RM983,813) owing to the directors of the Company. The amount is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

19. OTHER PAYABLES AND ACCRUALS

	< ----- Audited ----- >				Audited
	< ----- As at 30 Jun ----- >				As at 31 Oct
	2018	2019	2020	2021	2021
	RM	RM	RM	RM	RM
Other payables	1,048,624	55,694	50,909	109,214	58,051
Deposit from customers	83,020	78,320	332,199	432,343	323,491
Amount owing to a former shareholder	1,350,000	900,000	900,000	-	-
Accruals	1,079,937	1,438,873	1,841,273	1,677,619	4,219,310
	<u>3,561,581</u>	<u>2,472,887</u>	<u>3,124,381</u>	<u>2,219,176</u>	<u>4,600,852</u>

The amount owing to a former shareholder was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****20. AMOUNT OWING TO FORMER HOLDING COMPANY**

The amount owing to former holding company, Cengild Partners Sdn. Bhd., which was non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

21. AMOUNT OWING TO DIRECTORS

The amount owing to directors which is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

22. REVENUE

	< ----- Audited ----- >				Unaudited	Audited
	< ----- As at 30 Jun ----- >				As at 31	As at 31
	2018	2019	2020	2021	Oct	Oct
	RM	RM	RM	RM	2020	2021
					RM	RM
Revenue from Contract with Customers						
<u>Recognised at point in time:</u>						
Medical management services	6,499,377	16,801,271	24,174,497	38,933,493	12,793,288	12,715,427
Consultant services	3,438,579	9,376,637	13,410,189	23,401,010	7,566,339	7,608,309
Others	1,741,154	2,005,334	1,594,862	1,135,457	369,256	200,244
	<u>11,679,110</u>	<u>28,183,242</u>	<u>39,179,548</u>	<u>63,469,960</u>	<u>20,728,883</u>	<u>20,523,980</u>

The revenue is derived solely from local sales.

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****23. (LOSS)/PROFIT BEFORE TAXATION**

	< ----- Audited ----- >				Unaudited	Audited
	< ----- As at 30 Jun ----- >				As at 31	As at 31
	2018	2019	2020	2021	Oct	Oct
	RM	RM	RM	RM	2020	2021
					RM	RM
(Loss)/Profit before taxation is arrived at after charging/(crediting):						
Auditors' remuneration:-						
- current financial year	15,000	15,000	27,000	60,000	-	-
- (over) /underprovision in previous financial year	(1,732)	(1,500)	7,472	3,740	-	-
Bad debts written off	-	3,290	867	-	-	374
Depreciation:						
- plant and equipment	1,947,629	2,677,141	2,903,776	3,095,224	1,003,349	1,030,146
- right-of-use assets	1,764,414	1,764,414	1,764,414	1,764,414	588,140	588,141
Directors' remuneration (Note 29(a))	-	-	-	27,300	-	1,148,618
Impairment loss on goodwill	-	-	-	-	-	4,710
Interest expense on lease liabilities	1,089,194	1,068,565	1,042,075	1,015,451	342,171	330,997
Listing expenses	-	-	-	711,238	-	620,000
Loss on disposal of plant and equipment	-	-	10,593	-	-	-
Plant and equipment written off	-	228,960	-	-	5,252	-
Staff costs:						
- defined contribution benefits	288,824	450,350	530,267	551,204	186,167	225,019
- others	2,581,602	4,178,476	4,923,273	5,771,035	1,744,076	3,425,960
Interest expense on financial liabilities that are not at fair value through profit or loss:						
- term loan	636,634	670,886	517,819	205,398	107,862	26,657
- revolving credit	202,763	67,963	17,363	-	-	-
- others	408	245	4,751	1,215	250	252

13. ACCOUNTANTS' REPORT (Cont'd)**CENGILD MEDICAL BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****23. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)**

	< ----- Audited ----- >				Unaudited	Audited
	< ----- As at 30 Jun ----- >				As at 31	As at 31
	2018	2019	2020	2021	Oct	Oct
	RM	RM	RM	RM	2020	2021
					RM	RM
(Loss)/Profit before taxation is arrived at after charging/(crediting): (cont'd)						
COVID-19 related subsidies from government	-	-	(96,000)	(151,800)	(116,400)	-
Total interest income on financial assets measured at amortised cost	-	-	-	(60,941)	(2,326)	(43,917)

24. INCOME TAX EXPENSE

	< ----- Audited ----- >				Unaudited	Audited
	< ----- As at 30 Jun ----- >				As at 31	As at 31
	2018	2019	2020	2021	Oct	Oct
	RM	RM	RM	RM	2020	2021
					RM	RM
Current tax expense:						
- for the current financial year	-	-	1,581,871	3,464,529	1,296,000	1,202,664