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

B1. Financial performance

(a) Highlight on condensed combined Statement of Profit or Loss and Other Comprehensive Income

Review for the current financial quarter and financial year-to-date

	Unaudited Individual quarter ended 31 March		
	2020 RM'000	**2019 RM'000**	**Variance %**
Revenue	13,078	13,581	(3.70)
Profit before tax ("PBT")	1,655	2,372	(30.23)

The Group reported revenue of RM13.08 million for the three-month financial period ended 31 March 2020 ("Q1 2020"). This represents a decline in revenue of approximately 3.70% against its revenue for the three-month financial period ended 31 March 2019 ("Q1 2019") of approximately RM13.58 million.

The decline in revenue was mainly due to the imposition of the Movement Control Order ("MCO") under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 during Q1 2020. While the business falls within essential services and the Group was able to continue its operations during the MCO Period i.e. from 18 March 2020 until 3 May 2020 ("MCO Period"), the revenue was still unfavourably affected due to the measures and precautions the Group implemented to safeguard and protect its customers and employees.

These measures and precautions included the minimisation of business operational days, as well as the number of operational specialist centres at any one time(1). The revenue from refractive surgeries was particularly affected during the MCO Period as it is of such nature that it is capable of being deferred.

Note:

(1) For a large portion of the MCO Period, the Group's specialist centres in Ipoh, Klang, Shah Alam and TTDI were temporarily closed, whilst its specialist centres in Seri Petaling and Seremban were closed on alternate days. The remainder of its specialist centres remained open throughout the MCO Period.

B1. Financial performance (continued)

(a) Highlight on condensed combined Statement of Profit or Loss and Other Comprehensive Income (continued)

Review for the current financial quarter and financial year-to-date (continued)

In terms of geographical segmentation (as tabulated below), the Group's decline in revenue was evident across North Malaysia, Central Malaysia and East Malaysia. The Group recorded a growth in revenue of approximately RM0.34 million or 13.33% from South Malaysia mainly due to the improved performance of its specialist centres in Segamat and Johor Bahru.

	Unaudited Individual quarter ended 31 March		
	2020 RM'000	2019 RM'000	Variance %
Revenue			
North Malaysia	1,953	2,169	(9.96)
Central Malaysia	7,740	8,073	(4.12)
South Malaysia	2,856	2,520	13.33
East Malaysia	529	819	(35.41)
	13,078	13,581	(3.70)

While the Group's revenue for Q1 2020 only declined by 3.70% vis-à-vis Q1 2019, the Group's PBT for the Q1 2020 decreased by 30.23% to RM1.66 million (Q1 2019: RM2.37 million). The decline in PBT was mainly due to the decline in revenue as elaborated above and the initial public offering expenses of RM0.30 million incurred during Q1 2020 (none was accrued during Q1 2019).

B1. Financial performance (continued)

(b) Highlight on condensed combined Statement of Financial Position

	Unaudited As at 31 March 2020 RM'000	Audited As at 31 December 2019 RM'000
Total non-current assets	51,005	49,412
Total current assets	11,191	14,503
Total assets	**62,196**	**63,915**
Total equity	**25,344**	**24,237**
Total non-current liabilities	24,122	23,639
Total current liabilities	12,730	16,039
Total liabilities	**36,852**	**39,678**

The Group continues to report a net current liability ("NCL") position for Q1 2020. The Group's NCL position amounted to RM1.54 million as at 31 March 2020. Accordingly, the ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cash flows. In the opinion of the Directors, the Group is able to continue as a going concern despite its NCL position as the Directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date this interim financial report and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise. The Directors have taken into consideration the following factors in arriving at the view above:

(i) There is no material uncertainty over the Group's ability to repay its liabilities for a period of not less than 12 months from the date of this interim financial report;

(ii) The Group reported a positive net cash from operating activities for Q1 2020 amounting to RM1.34 million;

(iii) The Group's trade receivables turnover period is generally low as most of the transactions are conducted on cash terms, whereby patients pay in cash or by credit cards;

(iv) As at the 31 March 2020, the Group has cash and cash equivalents of RM5.50 million;

(v) The Group also have approximately RM1.81 million of unutilised banking facility in the form of a bank overdraft as at 31 March 2020 (facility limit of RM2.00 million);

(vi) The gearing ratio has been on a decline, from 0.83 times as at 31 December 2019 to 0.77 times as at 31 March 2020; and

(vii) There will not be any declaration of payment of any further dividends until the completion of the IPO and Listing (as defined in Note B6).

B2. Variation of results against preceding quarter

	Unaudited Individual quarter ended		
	31 March 2020 RM'000	31 December 2019 RM'000	Variance %
Revenue	13,078	16,806	(22.19)
Profit before tax ("PBT")	1,655	2,642	(37.38)

The Group's revenue declined by approximately 22.19% in Q1 2020 from its revenue for the 3-month financial period ended 31 December 2019 ("Q4 2019") of approximately RM16.81 million.

The decline in revenue was mainly due to the imposition of the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 during Q1 2020. While its business falls within essential services and the Group was able to continue its operations during the MCO Period, the Group's revenue was still unfavourably affected due to the measures and precautions implemented by the Group to safeguard and protect its customers and employees.

These measures and precautions included the minimisation of its business operational days, as well as the number of operational specialist centres at any one time. The Group's revenue from refractive surgeries was particularly affected during the MCO Period as it is of such nature that it is capable of being deferred.

Revenue was also lower in Q1 2020 due to more public holidays in Q1 2020 where the specialist centres were closed during public holidays.

The Group's PBT declined by approximately 37.38% in Q1 2020 from its PBT for Q4 2019 of approximately RM2.64 million. The decline in PBT was mainly due to the decline in revenue as elaborated above.

B3. Commentary on prospects

The Government of Malaysia had on 16 March 2020 announced the imposition of a MCO in an effort to contain the COVID-19 outbreak in Malaysia. The MCO was imposed on 18 March 2020 and three subsequent 14-day extensions of the MCO were announced on 25 March 2020, 10 April 2020 and 23 April 2020 respectively to extend the effective date of the MCO from 1 April 2020 until 14 April 2020, from 15 April 2020 until 28 April 2020 and thereafter from 29 April 2020 to 12 May 2020. The MCO however was eased and relaxed, and extended under a Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020 instead ("CMCO Period"). Under the CMCO, certain restrictions previously gazetted under the MCO were gradually eased and almost all economic sectors were allowed to reopen. The CMCO was then uplifted and a Recovery MCO ("RMCO") was imposed from 10 June 2020 to 31 August 2020 instead ("RMCO Period"). Under the RMCO, further restrictions previously gazetted under the CMCO were gradually eased.

During the MCO period, all government and private premises except those involved in essential services (which include, amongst others, communications and internet, banking and finance and healthcare and medical) were required to be closed during the MCO Period. As a provider of eye specialist services, the business falls within essential services, and thus, the Group was able to continue operations during the MCO Period.

However, in response to the COVID-19 outbreak, the Group had implemented several measures in business conduct to safeguard and protect its customers and employees. Notwithstanding the Group's continued operations subject to the above measures and precautions, the Group has generally advised its customers to reschedule procedures relating to refractive surgery until after the MCO is lifted as these are regarded as an elective surgery. Fewer customers would also be seeking refractive surgery during the MCO Period. The Group has also advised its customers to reschedule non-urgent cataract treatments during the MCO Period. Therefore, the MCO restrictions on a prolonged basis would adversely impact its business and financial performance during the MCO Period. Such negative impact may also persist after the end of the MCO or lockdown period in Malaysia.

After the end of the MCO and during the CMCO Period, the Group had begun to operate all of its specialist centres as normal subject to the Group being able to safeguard and protect its customers and employees.

The review on the number of surgeries performed by the Group during January to April 2020 tends to indicate that its business was mainly affected by the MCO with less impact due to the COVID-19 outbreak, in particular the number of refractive surgeries and cataract surgeries, which declined significantly during the MCO Period due to the deferment of surgeries as well as the temporary closure of several of its specialist centres as part of the preventive measures undertaken by the Group during the MCO Period. As a portion of its costs continue to accrue during this period, the Group envisage that its profit and profit margin will be negatively impacted particularly for the three-month financial period ended 30 June 2020.

B3. Commentary on prospects (continued)

With the easing and relaxation of certain restrictions under the MCO and its extension under the CMCO from 4 May 2020 to 9 June 2020, the Group has seen a gradual recovery in the number of patients, including patients for refractive surgeries and cataract surgeries who were earlier advised to postpone their procedures until after the MCO. Nonetheless, there is no assurance that this gradual recovery in the number of patients for refractive surgeries and cataract surgeries is sufficient to negate the loss in revenue and profitability due to the MCO and COVID-19 outbreak.

The Group will continue to monitor the situation to assess and address the impact of COVID-19, MCO and CMCO on its business and financial condition, particularly if the MCO is reintroduced or specific restrictions are introduced by the relevant authorities to adhere to appropriate social distancing practices which are deemed necessary to mitigate the spread of COVID-19.

While its financial performance has been adversely affected during the MCO, the Group's Directors are of the opinion that the Group's prospects for the financial year ending 31 December 2020 remains favourable.

B4. Profit forecast

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

B5. Tax expense

Tax expense comprises the following:

	Unaudited Individual quarter ended 31 March	
	2020 RM'000	**2019 RM'000**
Recognised in profit or loss		
Current tax expense		
Current financial period	527	501
Deferred tax expense		
Current financial period	21	127
	548	628
Effective tax rate	33.11%	26.48%

The overall effective tax rate of 33% for current financial quarter under review was higher than the statutory tax rate of 24% due to the increased non-deductible expenses incurred during the financial period.