

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

B1. Review of financial performance

(a) Highlight on Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Current financial quarter against corresponding financial quarter

	Unaudited Individual quarter ended 30 September		Variance %
	2020 RM'000	2019 RM'000	
Revenue	18,192	16,069	13.21
Profit before tax ("PBT")	<u>3,959</u>	<u>3,609</u>	9.70

The Group reported revenue of RM18.19 million for the current financial quarter under review. This represents an increase in revenue of approximately 13.21% against the corresponding financial quarter amounting to approximately RM16.07 million.

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 from 18 March 2020 until 3 May 2020 ("MCO Period"), the Group's revenue was unfavourably affected particularly for the three-month financial period ended 30 June 2020 as the Group has implemented measures and precautions to safeguard and protect its customers and employees. These measures and precautions include the minimisation of business operational days, as well as the number of operational specialist centres at any one time⁽¹⁾.

With the easing and relaxation of certain restrictions under the MCO and its extension under the Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020 ("CMCO Period") and Recovery MCO ("RMCO") from 10 June 2020 to 31 December 2020 ("RMCO Period"), 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. This has resulted in the increase in revenue during the current financial quarter under review.

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. Review of financial performance (continued)

(a) Highlight on Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

Current financial quarter against corresponding financial quarter (continued)

In terms of geographical segmentation (as tabulated below), the Group's increase in revenue was evident across all geographical segments except for East Malaysia.

	Unaudited Individual quarter ended 30 September		Variance %
	2020 RM'000	2019 RM'000	
Revenue			
North Malaysia	3,091	2,413	28.10
Central Malaysia	11,231	9,821	14.36
South Malaysia	3,325	3,082	7.88
East Malaysia	545	753	(27.62)
	<u>18,192</u>	<u>16,069</u>	13.21

While the Group's revenue for current financial quarter under review increased by 13.21% as compared to corresponding financial quarter, the Group's PBT increased by 9.70%. The increase in PBT was mainly due to the increase in revenue as elaborated above.

Current financial period against corresponding financial period

	Unaudited Cumulative quarter ended 30 September		Variance %
	2020 RM'000	2019 RM'000	
Revenue	40,809	45,813	(10.92)
PBT	<u>5,791</u>	<u>9,930</u>	(41.68)

The Group reported revenue of RM40.81 million for the current financial period, as compared to RM45.81 million in the corresponding financial period, representing a decrease of RM5.00 million or 10.92%.

The decrease 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 in order to curb the spread of the COVID-19 as elaborated above.

B1. Review of financial performance (continued)

(a) Highlight on Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

Current financial period against corresponding financial period (continued)

In terms of geographical segmentation (as tabulated below), the Group's decrease in revenue was evident across all geographical segments, particularly East Malaysia, North Malaysia and Central Malaysia.

	Unaudited Cumulative quarter ended 30 September		Variance %
	2020	2019	
	RM'000	RM'000	
Revenue			
North Malaysia	6,291	7,448	(15.53)
Central Malaysia	24,942	27,564	(9.51)
South Malaysia	8,189	8,562	(4.36)
East Malaysia	1,387	2,239	(38.05)
	<u>40,809</u>	<u>45,813</u>	(10.92)

While the Group's revenue for current financial period decreased by 10.92% as compared to corresponding financial period, the Group's PBT decreased by 41.68%. The decrease in PBT was mainly due to:

- (i) the decrease in revenue as elaborated above while a portion of the Group's costs continued to accrue. The major cost items which continue to be accrued include staff costs, depreciation expenses, finance costs and other expenses such as sales and marketing expenses, administration and office expenses, professional fees and insurance;
- (ii) RM0.20 million worth of donation made to the Ministry of Health of Malaysia for the purchase of ventilators, protective gear, test kits and other necessities to combat the COVID-19 outbreak; and
- (iii) the initial public offering expenses of RM0.60 million.

B2. Variation of results against immediate preceding financial quarter

	Unaudited Individual quarter ended		Variance %
	30 September 2020 RM'000	30 June 2020 RM'000	
Revenue	18,192	9,539	90.71
PBT	<u>3,959</u>	<u>177</u>	> 100

The Group's revenue increased from RM9.54 million to RM18.19 million, which was an increase of 90.71%.

Due to the imposition of the MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967, the Group's revenue was unfavourably affected particularly for the three-month financial period ended 30 June 2020 as the Group has implemented measures and precautions to safeguard and protect its customers and employees. These measures and precautions include the minimisation of business operational days, as well as the number of operational specialist centres at any one time.

With the easing and relaxation of certain restrictions under the MCO and its extension under the CMCO and RMCO, 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. This has resulted in the increase in revenue during the current financial quarter under review.

The Group's PBT increased by RM3.78 million mainly due to the increase in revenue as elaborated above.

B3. Commentary on prospects

The Government of Malaysia had on 16 March 2020 announced the imposition of 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 CMCO from 4 May 2020 to 9 June 2020 instead. 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 RMCO was imposed from 10 June 2020 to 31 December 2020 instead. 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.

B3. Commentary on prospects (continued)

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 Group's 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's profit and profit margin was negatively impacted particularly for the three-month financial period ended 30 June 2020.

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 and RMCO from 10 June 2020 to 31 December 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, due to the spike in number of COVID-19 cases in recent months, further restrictions had been reimposed in a number of states such as Kuala Lumpur, Putrajaya, Selangor and Sabah in order to contain the spread of COVID-19. Therefore, 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 the COVID-19 outbreak, MCO, CMCO and RMCO 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 the 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.