

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)
(Incorporated in Malaysia)

**Unaudited Condensed Combined
Interim Financial Report
for the First Quarter Ended
31 March 2020**

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)
(Incorporated in Malaysia)

Unaudited condensed combined statement of financial position as at 31 March 2020

| | Unaudited As at 31 March 2020 RM'000 | Audited As at 31 December 2019 RM'000 |
|-----------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|
| Assets | | |
| Property, plant and equipment | 41,078 | 39,060 |
| Right-of-use assets | 9,602 | 10,062 |
| Deferred tax assets | 325 | 290 |
| Total non-current assets | <u>51,005</u> | <u>49,412</u> |
| Inventories | 2,151 | 1,810 |
| Trade and other receivables | 1,285 | 2,354 |
| Prepayments | 2,036 | 1,668 |
| Current tax assets | 223 | 152 |
| Cash and cash equivalents | 5,496 | 8,519 |
| Total current assets | <u>11,191</u> | <u>14,503</u> |
| Total assets | <u><u>62,196</u></u> | <u><u>63,915</u></u> |
| Equity | | |
| Share capital | * | * |
| Invested equity | 2,700 | 2,700 |
| Reserves | 20,867 | 19,958 |
| Total equity attributable to owners of the Company | <u>23,567</u> | <u>22,658</u> |
| Non-controlling interests | 1,777 | 1,579 |
| Total equity | <u>25,344</u> | <u>24,237</u> |
| Liabilities | | |
| Deferred tax liabilities | 684 | 628 |
| Loans and borrowings | 16,934 | 16,113 |
| Lease liabilities | 6,504 | 6,898 |
| Total non-current liabilities | <u>24,122</u> | <u>23,639</u> |
| Loans and borrowings | 2,686 | 4,082 |
| Lease liabilities | 1,676 | 1,710 |
| Trade and other payables | 7,692 | 9,327 |
| Current tax liabilities | 676 | 920 |
| Total current liabilities | <u>12,730</u> | <u>16,039</u> |
| Total liabilities | <u>36,852</u> | <u>39,678</u> |
| Total equity and liabilities | <u><u>62,196</u></u> | <u><u>63,915</u></u> |

* Denotes RM1

The Unaudited Condensed Combined Statement of Financial Position should be read in conjunction with the Accountants' Report dated 24 June 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)
(Incorporated in Malaysia)

Unaudited condensed combined statement of profit or loss and other comprehensive income for the first quarter ended 31 March 2020

| | Unaudited Individual/Cumulative quarter ended 31 March | |
|-----------------------------------------------------------------------|-----------------------------------------------------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Revenue | 13,078 | 13,581 |
| Other income | 37 | 17 |
| Inventories and consumables | (2,559) | (2,803) |
| Staff costs | (5,261) | (5,389) |
| Depreciation expenses | (1,462) | (1,377) |
| Other expenses | (1,827) | (1,330) |
| Results from operating activities | 2,006 | 2,699 |
| Finance income | 11 | 19 |
| Finance costs | (362) | (346) |
| Profit before tax | 1,655 | 2,372 |
| Tax expense | (548) | (628) |
| Profit and total comprehensive income for the financial period | 1,107 | 1,744 |
| Profit and total comprehensive income attributable to: | | |
| Owners of the Company | 909 | 1,499 |
| Non-controlling interests | 198 | 245 |
| Profit and total comprehensive income for the financial period | 1,107 | 1,744 |
| Earnings per ordinary share (sen) | 33.67 | 55.52 |

The Unaudited Condensed Combined Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Accountants' Report dated 24 June 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)
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Unaudited condensed combined statement of changes in equity for the first quarter ended 31 March 2020

| | ← Attributable to owners of the Company → | | | | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|----------------------------------------------------------------|-------------------------------------------|---------------------------------------------|-------------------------------------------------------------|--------------------------------|-----------------|--------------------------------------------|---------------------------|
| | ← Non-distributable → | | Distributable | | | | |
| | Share capital RM'000 | Invested equity ⁽¹⁾ RM'000 | Business combination reserve ⁽²⁾ RM'000 | Retained earnings RM'000 | | | |
| Unaudited | | | | | | | |
| At 1 January 2019 | * | 2,700 | (686) | 18,780 | 20,794 | 1,204 | 21,998 |
| Profit and total comprehensive income for the financial period | - | - | - | 1,499 | 1,499 | 245 | 1,744 |
| At 31 March 2019 | * | 2,700 | (686) | 20,279 | 22,293 | 1,449 | 23,742 |
| Unaudited | | | | | | | |
| At 1 January 2020 | * | 2,700 | (686) | 20,644 | 22,658 | 1,579 | 24,237 |
| Profit and total comprehensive income for the financial period | - | - | - | 909 | 909 | 198 | 1,107 |
| At 31 March 2020 | * | 2,700 | (686) | 21,553 | 23,567 | 1,777 | 25,344 |

* Denotes RM1

(1) This invested equity represents the Company's investment in Optimax Eye Specialist Centre Sdn. Bhd.

(2) This business combination reserve arose from the acquisition of two subsidiaries namely Optimax Eye Specialist Centre (Ipoh) Sdn. Bhd. and Optimax Eye Specialist Centre (Seri Petaling) Sdn. Bhd. from a common control shareholder during the financial year ended 31 December 2017.

The Unaudited Condensed Combined Statement of Changes in Equity should be read in conjunction with the Accountants' Report dated 24 June 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)
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Unaudited condensed combined statement of cash flows for the first quarter ended 31 March 2020

| | Unaudited Quarter ended 31 March | |
|-----------------------------------------------------------------|----------------------------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 1,655 | 2,372 |
| <i>Adjustments for:</i> | | |
| Finance income | (11) | (19) |
| Finance costs | 362 | 346 |
| Depreciation of property, plant and equipment | 1,002 | 962 |
| Depreciation of right-of-use assets | 460 | 415 |
| Initial public offering expenses | 300 | - |
| Operating profit before working capital changes | 3,768 | 4,076 |
| Changes in working capital: | | |
| Inventories | (341) | 78 |
| Prepayments | (368) | (429) |
| Trade and other receivables | 94 | (66) |
| Trade and other payables | (839) | (1,219) |
| Cash generated from operations | 2,314 | 2,440 |
| Interest received | 11 | 19 |
| Interest paid | (145) | (114) |
| Tax refund | - | 464 |
| Tax paid | (842) | (820) |
| Net cash from operating activities | 1,338 | 1,989 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (1,040) | (912) |
| Changes in pledged deposits | (7) | (107) |
| Net cash used in investing activities | (1,047) | (1,019) |
| Cash flows from financing activities | | |
| Interest paid | (217) | (232) |
| Repayment of hire purchase liabilities | (503) | (340) |
| Repayment of term loans | (136) | (236) |
| Payment of listings expenses | (433) | (180) |
| Payment of lease liabilities | (428) | (354) |
| Net cash used in financing activities | (1,717) | (1,342) |
| Net decrease in cash and cash equivalents | (1,426) | (372) |
| Cash and cash equivalents at the beginning of financial period | 5,674 | 4,814 |
| Cash and cash equivalents at the end of financial period | 4,248 | 4,442 |

Unaudited condensed combined statement of cash flows for the first quarter ended 31 March 2020 (continued)

(i) Cash and cash equivalents

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

| | Unaudited Quarter ended 31 March | |
|---------------------------|----------------------------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Cash and cash equivalents | 5,496 | 5,269 |
| Bank overdraft | (192) | - |
| | <u>5,304</u> | <u>5,269</u> |
| Pledged deposits | (1,056) | (827) |
| | <u>4,248</u> | <u>4,442</u> |

(ii) Acquisition of property, plant and equipment

During the financial period, the Group acquired property, plant and equipment as follows:

| | Unaudited Quarter ended 31 March | |
|----------------------------------------------------------------------------------|----------------------------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Paid in cash | 673 | 613 |
| In the form of hire purchase | - | 467 |
| Deposits paid in prior financial year capitalised in current financial period | 975 | - |
| Balances remained unpaid at financial period end | <u>1,372</u> | <u>291</u> |
| | <u>3,020</u> | <u>1,371</u> |

During the financial period, the Group paid the remaining outstanding amounts in relation to property, plant and equipment acquired in the previous financial year of RM367,000 (31.3.2019: RM299,000).

The Group also entered into hire purchase arrangement to finance the plant and equipment acquired in the previous financial year of RM1,668,000 (31.3.2019: RM451,000).

| |
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Unaudited condensed combined statement of cash flows for the first quarter ended 31 March 2020 (continued)

(iii) Reconciliation of movement of liabilities to cash flows arising from financing activities

| | ← Unaudited → | | | |
|---------------------------|--------------------------|--------------------|---------------------------------------|---------------------------|
| | At 1.1.2019 RM'000 | Payments RM'000 | Acquisition of new lease RM'000 | At 31.3.2019 RM'000 |
| Term loans | 13,202 | (236) | - | 12,966 |
| Hire purchase liabilities | 5,463 | (340) | 918 | 6,041 |
| Lease liabilities | 7,117 | (354) | 161 | 6,924 |
| | 25,782 | (930) | 1,079 | 25,931 |
| | ← Unaudited → | | | |
| | At 1.1.2020 RM'000 | Payments RM'000 | Acquisition of new lease RM'000 | At 31.3.2020 RM'000 |
| Term loans | 12,423 | (136) | - | 12,287 |
| Hire purchase liabilities | 5,976 | (503) | 1,668 | 7,141 |
| Lease liabilities | 8,608 | (428) | - | 8,180 |
| | 27,007 | (1,067) | 1,668 | 27,608 |

The Unaudited Condensed Combined Statement of Cash Flows should be read in conjunction with the Accountants' Report dated 24 June 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

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

The condensed combined interim financial report consists of the financial information of Optimax Holdings Berhad (the “Company”) and the Optimax Eye Specialist Centre Sdn. Bhd. (“OESC”) and its subsidiaries (“OESC Group”), under the common control of Dato’ Tan Boon Hock (collectively referred to as the “Group”).

The condensed combined interim financial report of the Group has been prepared as if the Group has been operated as a single economic entity throughout the financial periods under review. The common control of the Group has been established since the set-up of the Group by virtue of Dato’ Tan Boon Hock being the major shareholder and promoter of the Group.

The condensed combined interim financial report should be read in conjunction with the Accountants’ Report dated 24 June 2020 to be included in the Prospectus and the accompanying explanatory notes attached to the condensed combined interim financial report. The explanatory notes attached to the condensed combined interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

The condensed combined interim financial report has been prepared on the historical cost basis and on the assumption that the Group is a going concern.

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 net current liabilities 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 condensed combined interim financial report was approved 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.

A2. Significant accounting policies

Except as described below, the same accounting policies and methods of computation are followed in this condensed combined interim financial report as compared with the audited combined financial statements for the financial years ended 31 December 2019, 2018, 2017 and 2016.

As of 1 January 2020, the Group has adopted the following amendments to MFRSs which are effective for annual years beginning on or after 1 January 2020.

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The initial application on the above pronouncements did not have any material impact to the condensed combined interim financial report of the Group.

A3. Auditors' report

There was no qualified audit report issued by the auditors in the audited combined financial statements for the financial years ended 31 December 2019, 2018, 2017 and 2016.

A4. Seasonal or cyclical factors

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

A5. Exceptional items

There were no material exceptional items during the current financial quarter under review, except for listing expenses amounting to RM300,000 that was charged out to the profit or loss account.

A6. Material changes in accounting estimates

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

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

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

A8. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review except for those disclosed in Note B6.

A9. Capital commitments

Outstanding capital commitments in respect of capital expenditure at financial position date not provided for at the end of each reporting period are as follows:

| | Unaudited As at 31 March 2020 RM'000 | Audited As at 31 December 2019 RM'000 |
|----------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| Capital expenditure commitments | | |
| Property, plant and equipment | | |
| <i>Authorised and contracted for</i> | <u>4,824</u> | <u>5,644</u> |

A10. Debt and equity securities

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

A11. Dividends paid

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

A12. Operating segments

The Group does not have the reportable segments, as the services are managed indistinctly because they require the similar technology and marketing strategies. The internal management reports consist of performance from respective entities and classified as North, Central, South and East Malaysia. The Group's Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the geographical segments results:

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers.

| | Unaudited Individual/Cumulative quarter ended 31 March | |
|------------------|---------------------------------------------------------------------------|---------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Revenue | | |
| North Malaysia | 1,953 | 2,169 |
| Central Malaysia | 7,740 | 8,073 |
| South Malaysia | 2,856 | 2,520 |
| East Malaysia | 529 | 819 |
| | <u>13,078</u> | <u>13,581</u> |

A13. Valuations of property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

A14. Contingencies

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

A15. Related party transactions

Identity of related parties

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

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

The Group has related party relationship with Directors and companies in which Directors have financial interests.

Significant related party transactions

Significant related party transactions of the Group are as follows:

| | Unaudited Individual quarter ended 31 March | |
|-----------------------------------------------------------------|------------------------------------------------------------|------------------------|
| | 2020 RM'000 | 2019 RM'000 |
| Transactions | | |
| A. Directors | | |
| Lease payments | 66 | 78 |
| Sales of inventories | (14) | - |
| | <hr/> | <hr/> |
| B. Companies in which Directors have financial interests | | |
| Casual wages | - | 8 |
| Lease payments | 134 | 111 |
| Purchases of inventories | 5 | - |
| Sales of inventories | (9) | - |
| Service fees receivable | (10) | (2) |
| | <hr/> | <hr/> |

A16. Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses other financial instruments at fair value.

| | Fair value of financial instruments not carried at fair value Level 3 RM'000 | Carrying amount RM'000 |
|------------------------------|---------------------------------------------------------------------------------------------------------|---------------------------------------|
| Unaudited | | |
| 31.3.2020 | | |
| Financial liabilities | | |
| Hire purchase liabilities | (6,733) | (7,141) |
| Term loans | (13,335) | (12,287) |
| | <u>(20,068)</u> | <u>(19,428)</u> |
| Audited | | |
| 31.12.2019 | | |
| Financial liabilities | | |
| Hire purchase liabilities | (5,628) | (5,976) |
| Term loans | (13,816) | (12,423) |
| | <u>(19,444)</u> | <u>(18,399)</u> |

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

A16. Fair value information (continued)***Transfer between Level 1 and Level 2 fair values***

There has been no transfer between Level 1 and Level 2 fair values during the current financial quarter under review.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

| Type | Description of valuation technique and inputs used |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Term loans and hire purchase liabilities | Discounted cash flows using a rate based on the current market rate of borrowing of the respective entities at the reporting date. |

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 | | Variance % |
|---------------------------|---------------------------------------------------|----------------|---------------|
| | 2020 RM'000 | 2019 RM'000 | |
| Revenue | 13,078 | 13,581 | (3.70) |
| Profit before tax ("PBT") | <u>1,655</u> | <u>2,372</u> | (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 | | Variance % |
|------------------|---------------------------------------------------|----------------|---------------|
| | 2020 RM'000 | 2019 RM'000 | |
| 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) |
| | <u>13,078</u> | <u>13,581</u> | (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 | | Variance % |
|---------------------------|--------------------------------------------------------|-------------------------------|---------------|
| | Individual quarter ended 31 March 2020 RM'000 | 31 December 2019 RM'000 | |
| Revenue | 13,078 | 16,806 | (22.19) |
| Profit before tax ("PBT") | <u>1,655</u> | <u>2,642</u> | (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 | 2019 |
| | RM'000 | RM'000 |
| <i>Recognised in profit or loss</i> | | |
| Current tax expense | | |
| Current financial period | 527 | 501 |
| Deferred tax expense | | |
| Current financial period | 21 | 127 |
| | <u>548</u> | <u>628</u> |
| 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.

B6. Status of corporate proposals announced

Pre-IPO Exercise

On 8 January 2020, the Company entered into Share Sale Agreement (“SSA”) with the shareholders of OESC to acquire the entire issued share capital of OESC for a purchase consideration of RM19,500,000 which was wholly satisfied by the issuance of 199,999,999 new ordinary shares at an issue price of approximately RM0.0975 per share by the Company. This will result in a total issued share capital of 200,000,000 ordinary shares. The SSA was completed on 15 June 2020.

IPO

On 31 January 2020, the Group submitted the relevant applications to the Securities Commission Malaysia (“SC”) and Bursa Securities in relation to the proposed initial offering of 70,000,000 ordinary shares of the Company (“IPO”), and the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Securities (“Listing”). The total enlarged issued share capital of the Group subsequent to the IPO is 270,000,000 ordinary shares.

Bursa Securities has, vide its letter dated 22 June 2020, approved its admission to the Official List and the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Securities, subject to certain conditions.

The Group’s Listing is an exempt transaction under Section 212(8) of the Capital Markets and Services Act, 2007 and is therefore not subject to the approval of the SC. The SC has, vide its letter dated 22 June 2020, approved the resultant equity structure of the Company under the equity requirement for public listed companies pursuant to the Group’s Listing, subject to a condition.

Ministry of International Trade and Industry had stated that it has taken note of and has no objection to the Listing vide its letter dated 12 May 2020.

The IPO and Listing are pending completion.

B7. Loans and borrowings

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

| | Note | Unaudited As at 31 March 2020 RM'000 | Audited As at 31 December 2019 RM'000 |
|---------------------------|------|--------------------------------------------------|---------------------------------------------------|
| Non-current | | | |
| Term loans – secured | | 12,015 | 11,885 |
| Hire purchase liabilities | B7.1 | 4,919 | 4,228 |
| | | <u>16,934</u> | <u>16,113</u> |
| Current | | | |
| Term loans – secured | | 272 | 538 |
| Hire purchase liabilities | B7.1 | 2,222 | 1,748 |
| Bank overdrafts – secured | | 192 | 1,796 |
| | | <u>2,686</u> | <u>4,082</u> |
| | | <u>19,620</u> | <u>20,195</u> |

B7.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

| | Future minimum lease payments RM'000 | Interest RM'000 | Present value of minimum lease payments RM'000 |
|--------------------------------|--------------------------------------------------|--------------------|---------------------------------------------------------------|
| Unaudited 31.3.2020 | | | |
| Less than one year | 2,587 | 365 | 2,222 |
| Between one to five years | 5,259 | 340 | 4,919 |
| | <u>7,846</u> | <u>705</u> | <u>7,141</u> |
| Audited 31.12.2019 | | | |
| Less than one year | 2,067 | 319 | 1,748 |
| Between one to five years | 4,556 | 328 | 4,228 |
| | <u>6,623</u> | <u>647</u> | <u>5,976</u> |

B8. Material litigation

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

B9. Dividends

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

| |
|-------------------------------------------|
| Registration No: 201801028697 (1290723-T) |
|-------------------------------------------|

B10. Earnings per ordinary share

The calculation of earnings per ordinary share at 31 March 2020 and 2019, was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

| | Unaudited | |
|--------------------------------------------------------------------------------|---------------------------------|-------------|
| | Individual quarter ended | |
| | 31 March | |
| | 2020 | 2019 |
| Profit for the financial period attributable to owners of the Company (RM'000) | 909 | 1,499 |
| Earnings per ordinary share attributable to owners of the Company | | |
| Based on ordinary shares of OESC: | | |
| In thousands of shares | 2,700 | 2,700 |
| Earnings per ordinary share (sen) | 33.67 | 55.52 |
| Based on enlarged ordinary shares in issue after the Pre-IPO Exercise and IPO: | | |
| In thousands of shares | 270,000 | 270,000 |
| Earnings per ordinary share (sen) (For illustrative purpose only) | 0.34 | 0.56 |

Save as disclosed in Note B6 "Status of corporate proposal announced", the Company has no potential ordinary shares in issue as at the date of the statement of financial position. Diluted earnings per share is equal to basic earnings per share.

B11. Trade and other receivables

| | Unaudited | Audited |
|----------------------|------------------|-----------------|
| | As at | As at 31 |
| | 31 March | December |
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Current Trade | | |
| Trade receivables | 394 | 518 |
| Non-trade | | |
| Other receivables | 245 | 241 |
| Deposits | 646 | 1,595 |
| | 891 | 1,836 |
| | 1,285 | 2,354 |

B11. Trade and other receivables (continued)**(a) Ageing analysis of trade receivables**

| | Unaudited As at 31 March 2020 RM'000 | Audited As at 31 December 2019 RM'000 |
|-----------------------------|-------------------------------------------------------------|--------------------------------------------------------------|
| Current (not past due) | 220 | 485 |
| 1 – 30 days past due | 112 | 20 |
| 31 – 120 days past due | 33 | 9 |
| More than 120 days past due | 29 | 4 |
| | <u>394</u> | <u>518</u> |

B12. Profit before tax

| | Note | Unaudited Individual quarter ended 31 March 2020 RM'000 | 2019 RM'000 |
|-------------------------------------------------|-------------|--------------------------------------------------------------------------------|------------------------|
| Material expenses/(income) | | | |
| Depreciation expenses | | | |
| - property, plant and equipment | | 1,002 | 962 |
| - right-of-use assets | | 460 | 415 |
| Initial public offering expenses | | 300 | - |
| Finance income | | (11) | (19) |
| Finance costs | | | |
| - bank overdrafts | | 17 | - |
| - term loans | | 126 | 139 |
| - hire purchase liabilities | | 91 | 93 |
| - lease liabilities | | <u>128</u> | <u>114</u> |
| Expenses arising from leases | | | |
| Expenses relating to short-term leases | (i) | 120 | 1 |
| Expenses relating to leases of low-value assets | (ii) | <u>3</u> | <u>2</u> |

(i) The Group leases operation equipment with contract terms of less than 1 year. These leases are short-term in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(ii) The Group leases various office equipment with contract terms of 3 years. These leases are low-value in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

B13. Utilisation of proceeds

The proposed utilisation of proceeds from the IPO of RM21.00 million is as follows:

| Purpose | Proposed utilisation RM'000 | % | Intended timeframe for utilisation upon listing |
|----------------------------|----------------------------------------|---------------|------------------------------------------------------------|
| Capital expenditure | 10,354 | 49.31 | Within 12 months |
| Repayment of borrowings | 3,520 | 16.76 | Within 3 months |
| Working capital | 3,526 | 16.79 | Within 12 months |
| Estimated listing expenses | 3,600 | 17.14 | Within 1 month |
| Total | 21,000 | 100.00 | |

The proposed utilisation of the proceeds as disclosed above should be read in conjunction with the prospectus of Optimax dated 15 July 2020. As at the date of this condensed combined interim financial report, the IPO and Listing are pending completion, and therefore, the proceeds have yet to be raised and utilised.