Optimax Holdings Berhad

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

Condensed Consolidated Interim Financial Report for the Second Quarter Ended 30 June 2020

Optimax Holdings Berhad

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

Unaudited condensed consolidated statement of financial position as at 30 June 2020

	Unaudited As at 30 June 2020 RM'000	Audited As at 31 December 2019[1] RM'000
Assets		
Property, plant and equipment	41,537	39,060
Right-of-use assets	9,142	10,062
Deferred tax assets	290	290
Total non-current assets	50,969	49,412
Inventories	2,268	1,810
Trade and other receivables	1,494	2,354
Prepayments	1,557	1,668
Current tax assets	304	152
Cash and cash equivalents	6,986	8,519
Total current assets	12,609	14,503
Total assets	63,578	63,915
Equity		
Share capital	19,500	*
Invested equity	-	2,700[2]
Reserves	4,127	19,958
Total equity attributable to owners of the Company	23,627	22,658
Non-controlling interests	1,835	1,579
Total equity	25,462	24,237
Liabilities		
Deferred tax liabilities	607	628
Loans and borrowings	17,962	16,113
Lease liabilities	6,143	6,898
Total non-current liabilities	24,712	23,639
Loans and borrowings	3,122	4,082
Lease liabilities	1,587	1,710
Trade and other payables	8,228	9,327
Current tax liabilities	467	920
Total current liabilities	13,404	16,039
Total liabilities	38,116	39,678
Total equity and liabilities	63,578	63,915
Net assets per share attributable to owners of the Company (RM)[3]	0.12	N/A[4]

* *Denotes RM1*

Unaudited condensed consolidated statement of financial position as at 30 June 2020 (continued)

(1) *As explained in Note B6, the comparative figures in the Group's condensed consolidated interim financial report are presented as if the combination of entities under common control had occurred before the start of the earliest period presented.*

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

(3) *Based on the share capital of 200,000,000 shares as the Pre-IPO Exercise referred to in Note B6 has been completed on 15 June 2020 but before the IPO.*

(4) *Not being disclosed since it is not comparable as the number of ordinary shares as at 31 December 2019 was 2,700,000 (based on number of ordinary shares in Optimax Eye Specialist Centre Sdn. Bhd.) while the number of ordinary shares as at 30 June 2020 was 200,000,000 (based on the enlarged ordinary shares in Optimax Holdings Berhad) following the completion of the Pre-IPO Exercise on 15 June 2020 referred to in Note B6.*

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Accountants' Report dated 24 June 2020 included in the prospectus of the Company dated 15 July 2020 ("Prospectus") and the accompanying explanatory notes attached to the condensed consolidated interim financial report.

Optimax Holdings Berhad

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

Unaudited condensed consolidated statement of profit or loss and other comprehensive income for the second quarter ended 30 June 2020

	Unaudited			
	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2020	2019[(1)]	2020	2019[(1)]
	RM'000	RM'000	RM'000	RM'000
Revenue	9,539	16,163	22,617	29,744
Other income	92	6	129	23
Inventories and consumables	(2,132)	(3,259)	(4,691)	(6,062)
Staff costs	(4,464)	(5,884)	(9,725)	(11,273)
Depreciation expenses	(1,476)	(1,406)	(2,938)	(2,783)
Other expenses	(1,030)	(1,270)	(2,857)	(2,600)
Results from operating activities	529	4,350	2,535	7,049
Finance income	8	8	19	27
Finance costs	(360)	(409)	(722)	(755)
Profit before tax	177	3,949	1,832	6,321
Tax expense	(59)	(1,240)	(607)	(1,868)
Profit and total comprehensive income for the financial period	118	2,709	1,225	4,453
Profit and total comprehensive income attributable to:				
Owners of the Company	60	2,503	969	4,002
Non-controlling interests	58	206	256	451
Profit and total comprehensive income for the financial period	118	2,709	1,225	4,453
Earnings per ordinary share (sen)[(2)]	0.03	1.25	0.48	2.00

(1) *As explained in Note B6, the comparative figures in the Group's condensed consolidated interim financial report are presented as if the combination of entities under common control had occurred before the start of the earliest period presented.*

(2) *Earnings per ordinary share is calculated based on the share capital of 200,000,000 shares as the Pre-IPO Exercise referred to in Note B6 has been completed on 15 June 2020 but before the IPO.*

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

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

Unaudited condensed consolidated statement of changes in equity for the second quarter ended 30 June 2020

	Attributable to owners of the Company						
	Non-distributable			Distributable			
	Share capital RM'000	Invested equity[(1)] RM'000	Business combination reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Unaudited							
At 1 January 2019[(2)]	*	2,700	(686)[(3)]	18,780	20,794	1,204	21,998
Profit and total comprehensive income for the financial period	-	-	-	4,002	4,002	451	4,453
At 30 June 2019[(2)]	*	2,700	(686)	22,782	24,796	1,655	26,451
Unaudited							
At 1 January 2020	*	2,700	(686)[(3)]	20,644	22,658	1,579	24,237
Effect of acquisition of common control entity (Pre-IPO exercise)[(4)]	19,500	(2,700)	(16,800)	-	-	-	-
Profit and total comprehensive income for the financial period	-	-	-	969	969	256	1,225
At 30 June 2020	19,500	-	(17,486)	21,613	23,627	1,835	25,462

* *Denotes RM1*

Registration No: 201801028697 (1290723-T)

Unaudited condensed consolidated statement of changes in equity for the second quarter ended 30 June 2020 (continued)

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

(2) As explained in Note B6, the comparative figures in the Group's condensed consolidated interim financial report are presented as if the combination of entities under common control had occurred before the start of the earliest period presented.

(3) 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.

(4) The effect of acquisition of common control entity arose from the Pre-IPO Exercise referred to in Note B6.

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

Optimax Holdings Berhad

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

Unaudited condensed consolidated statement of cash flows for the second quarter ended 30 June 2020

	Unaudited Cumulative quarter ended 30 June	
	2020	2019[1]
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,832	6,321
Adjustments for:		
Finance income	(19)	(27)
Finance costs	722	755
Depreciation of property, plant and equipment	2,018	1,946
Depreciation of right-of-use assets	920	837
Initial public offering expenses	300	-
Operating profit before working capital changes	5,773	9,832
Changes in working capital:		
Inventories	(458)	(84)
Prepayments	111	(470)
Trade and other receivables	1,835	(286)
Trade and other payables	(563)	(611)
Cash generated from operations	6,698	8,381
Interest received	19	27
Interest paid	(297)	(253)
Tax refund	-	464
Tax paid	(1,233)	(1,561)
Net cash from operating activities	5,187	7,058
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,869)	(1,031)
Changes in pledged deposits	(13)	(214)
Net cash used in investing activities	(1,882)	(1,245)
Cash flows from financing activities		
Interest paid	(312)	(502)
Repayment of hire purchase liabilities	(797)	(547)
Repayment of term loans	(136)	(488)
Payment of listings expenses	(932)	(180)
Payment of lease liabilities	(878)	(741)
Net cash used in financing activities	(3,055)	(2,458)
Net increase in cash and cash equivalents	250	3,355
Cash and cash equivalents at the beginning of financial period	5,674	4,814
Cash and cash equivalents at the end of financial period	5,924	8,169

(1) As explained in Note B6, the comparative figures in the Group's condensed consolidated interim financial report are presented as if the combination of entities under common control had occurred before the start of the earliest period presented.

Unaudited condensed consolidated statement of cash flows for the second quarter ended 30 June 2020 (continued)

(i) Cash and cash equivalents

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

	Unaudited Cumulative quarter ended 30 June	
	2020	**2019**
	RM'000	**RM'000**
Cash and cash equivalents	6,986	9,418
Bank overdraft	-	(315)
	6,986	9,103
Pledged deposits	(1,062)	(934)
	5,924	8,169

(ii) Acquisition of property, plant and equipment

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

	Unaudited Cumulative quarter ended 30 June	
	2020	**2019**
	RM'000	**RM'000**
Paid in cash	1,316	687
Property, plant and equipment purchased using hire purchase arrangement	975[1]	858
Balances remained unpaid at financial period end	2,204	416
	4,495	1,961

[1] The Group entered into hire purchase arrangement to finance an operation equipment amounting to RM1,950,000 in current financial period, in which deposits of RM975,000 was paid in prior financial year.

During the current financial period, the Group paid the remaining outstanding amounts in relation to property, plant and equipment acquired in the previous financial year of RM553,000 (30.6.2019: RM344,000).

The Group also entered into hire purchase arrangement to finance the plant and equipment acquired in the previous financial year of RM1,668,000 (30.6.2019: RM1,035,000).

Registration No: 201801028697 (1290723-T)

Unaudited condensed consolidated statement of cash flows for the second quarter ended 30 June 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 30.6.2019 RM'000**
Term loans	13,202	(488)	-	12,714
Hire purchase liabilities	5,463	(547)	1,893	6,809
Lease liabilities	7,117	(741)	161	6,537
	25,782	(1,776)	2,054	26,060

	Unaudited			
	At 1.1.2020 RM'000	**Payments RM'000**	**Acquisition of new lease RM'000**	**At 30.6.2020 RM'000**
Term loans	12,423	(136)	-	12,287
Hire purchase liabilities	5,976	(797)	3,618	8,797
Lease liabilities	8,608	(878)	-	7,730
	27,007	(1,811)	3,618	28,814

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

Optimax Holdings Berhad

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

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

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

Within the context of this condensed consolidated interim financial report for the second quarter ended 30 June 2020, the Group comprises Optimax Holdings Berhad ("the Company") and Optimax Eye Specialist Centre Sdn. Bhd. and its subsidiaries ("OESC Group").

The condensed consolidated interim financial report should be read in conjunction with the Accountants' Report dated 24 June 2020 included in the Prospectus and the accompanying explanatory notes attached to the condensed consolidated interim financial report. The explanatory notes attached to the condensed consolidated 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 consolidated 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 consolidated 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 consolidated 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 periods 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 Group has also early adopted the Amendments to MFRS 16, *Leases (Covid-19 Related Rent Concessions)* issued by MASB in June 2020 in response to the coronavirus disease ("COVID-19") pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

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

A3. Auditors' report

There was no qualified audit report issued by the auditors 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 cumulative quarter ended 30 June 2020, except for initial public offering expenses amounting to RM0.30 million and donation to the Ministry of Health of Malaysia amounting to RM0.20 million that were 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 condensed consolidated 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 30 June 2020 RM’000	Audited As at 31 December 2019 RM’000
Capital expenditure commitments		
Property, plant and equipment		
Authorised and contracted for	4,107	5,644

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 Notes B6 and 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 quarter ended 30 June		**Cumulative quarter ended 30 June**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Revenue				
North Malaysia	1,247	2,866	3,200	5,035
Central Malaysia	5,971	9,670	13,711	17,743
South Malaysia	2,008	2,960	4,864	5,480
East Malaysia	313	667	842	1,486
	9,539	16,163	22,617	29,744

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 consolidated interim financial report.

A15. Related party transactions

Identity of related parties

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

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

The Group has related party relationship with 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 30 June		Cumulative quarter ended 30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Transactions				
A. Directors				
Lease payments	66	54	132	132
Sales of inventories	(35)	-	(49)	-
B. Companies in which Directors have financial interests				
Casual wages	-	7	-	15
Lease payments	133	111	267	222
Purchases of inventories	18	-	23	-
Sales of inventories	(4)	-	(13)	-
Service fees receivable	(3)	(99)	(13)	(101)

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		
30.6.2020		
Financial liabilities		
Term loans	(12,361)	(12,287)
Hire purchase liabilities	(8,295)	(8,797)
	(20,656)	(21,084)
Audited		
31.12.2019		
Financial liabilities		
Term loans	(13,816)	(12,423)
Hire purchase liabilities	(5,628)	(5,976)
	(19,444)	(18,399)

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. 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 June		
	2020 RM'000	**2019 RM'000**	**Variance %**
Revenue	9,539	16,163	(40.98)
Profit before tax ("PBT")	177	3,949	(95.52)

The Group reported revenue of RM9.54 million for the current financial quarter under review. This represents a decrease in revenue of approximately 40.98% against the corresponding financial quarter amounting to approximately RM16.16 million.

The decrease 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 the immediate preceding financial quarter. 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).

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)

However, 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 August 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.

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

	Unaudited Individual quarter ended 30 June		
	2020 RM'000	2019 RM'000	Variance %
Revenue			
North Malaysia	1,247	2,866	(56.49)
Central Malaysia	5,971	9,670	(38.25)
South Malaysia	2,008	2,960	(32.16)
East Malaysia	313	667	(53.07)
	9,539	16,163	(40.98)

While the Group's revenue for current financial quarter under review only decreased by 40.98% as compared to corresponding financial quarter, the Group's PBT decreased by 95.52%. 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; and

(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.

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

	Unaudited Cumulative quarter ended 30 June		
	2020 RM'000	2019 RM'000	Variance %
Revenue	22,617	29,744	(23.96)
PBT	1,832	6,321	(71.02)

The Group reported revenue of RM22.62 million for the current financial period, as compared to RM29.74 million in the corresponding financial period, representing a decrease of RM7.13 million or 23.96%.

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 during the immediate preceding financial quarter in order to curb the spread of the COVID-19.

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 June		
	2020 RM'000	2019 RM'000	Variance %
Revenue			
North Malaysia	3,200	5,035	(36.44)
Central Malaysia	13,711	17,743	(22.72)
South Malaysia	4,864	5,480	(11.24)
East Malaysia	842	1,486	(43.34)
	22,617	29,744	(23.96)

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)

While the Group's revenue for current financial period only decreased by 23.96% as compared to corresponding financial period, the Group's PBT decreased by 71.02%. 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 RM0.30 million.

B2. Variation of results against immediate preceding financial quarter

	Unaudited Individual quarter ended 30 June 2020 RM'000	Unaudited Individual quarter ended 31 March 2020 RM'000	Variance %
Revenue	9,539	13,078	(27.06)
PBT	177	1,655	(89.31)

The Group's revenue decreased from RM13.08 million to RM9.54 million, which was a decrease of 27.06%.

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 during the immediate preceding financial quarter in order to curb the spread of the COVID-19.

The Group's PBT decreased by RM1.48 million 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; and

(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.

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 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 August 2020 instead. Under the RMCO, further restrictions previously gazetted under the CMCO were gradually eased.

B3. Commentary on prospects (continued)

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 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 August 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 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.

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 30 June		Cumulative quarter ended 30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss				
Current tax expense				
Current financial period	101	1,365	628	1,866
Deferred tax expense				
Current financial period	(42)	(125)	(21)	2
	59	1,240	607	1,868
Effective tax rate	33%	31%	33%	30%

Effective tax rate of 33% for the individual quarter and cumulative quarter ended 30 June 2020 was higher than the statutory tax rate of 24% due to the increase of non-deductible expenses incurred during the current financial period.

Income tax expense is recognised based on management's estimate.

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 Pre-IPO Exercise 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 Company's Listing, subject to a condition.

Ministry of International Trade and Industry of Malaysia 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 were completed on 18 August 2020.

B7. Loans and borrowings

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

	Note	Unaudited As at 30 June 2020 RM'000	Audited As at 31 December 2019 RM'000
Non-current			
Term loans – secured		11,869	11,885
Hire purchase liabilities	B7.1	6,093	4,228
		17,962	16,113
Current			
Term loans – secured		418	538
Hire purchase liabilities	B7.1	2,704	1,748
Bank overdrafts – secured		-	1,796
		3,122	4,082
		21,084	20,195

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 30.6.2020			
Less than one year	3,156	452	2,704
Between one to five years	6,571	478	6,093
	9,727	930	8,797
Audited 31.12.2019			
Less than one year	2,067	319	1,748
Between one to five years	4,556	328	4,228
	6,623	647	5,976

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.

B10. Earnings per ordinary share

The calculation of earnings per ordinary share at 30 June 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 30 June		**Cumulative quarter ended 30 June**	
	2020	**2019**	**2020**	**2019**
Profit for the financial period attributable to owners of the Company (RM'000)	60	2,503	969	4,002
Earnings per ordinary share attributable to owners of the Company				
Based on weighted average number of ordinary shares ('000)	200,000	200,000	200,000	200,000
Earnings per ordinary share (sen)	0.03	1.25	0.48	2.00
Based on enlarged ordinary shares in issue after IPO ('000)	270,000	270,000	270,000	270,000
Earnings per ordinary share (sen) (For illustrative purpose only)	0.02	0.93	0.36	1.48

Earnings per ordinary share is calculated based on the share capital of 200,000,000 shares as the Pre-IPO Exercise referred to in Note B6 has been completed on 15 June 2020 but before the IPO.

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 As at 30 June 2020 RM'000	Audited As at 31 December 2019 RM'000
Current		
Trade		
Trade receivables	582	518
Non-trade		
Other receivables	313	241
Deposits	599	1,595
	912	1,836
	1,494	2,354

(a) Ageing analysis of trade receivables

	Unaudited As at 30 June 2020 RM'000	Audited As at 31 December 2019 RM'000
Current (not past due)	379	485
1 – 30 days past due	31	20
31 – 120 days past due	145	9
More than 120 days past due	27	4
	582	518

Trade receivables that are past due have not been impaired as these debtors have historically been creditworthy with good payment records with the Group.

B12. Profit before tax

	Note	Unaudited Individual quarter ended 30 June 2020 RM'000	Individual quarter ended 30 June 2019 RM'000	Cumulative quarter ended 30 June 2020 RM'000	Cumulative quarter ended 30 June 2019 RM'000
Material expenses/ (income)					
Depreciation expenses					
- property, plant and equipment		1,016	984	2,018	1,946
- right-of-use assets		460	422	920	837
Initial public offering expenses		-	-	300	-
Finance income		(8)	(8)	(19)	(27)
Finance costs					
- bank overdrafts		13	28	30	28
- term loans		112	151	238	290
- hire purchase liabilities		96	119	187	212
- lease liabilities		139	111	267	225
Donation		200	-	200	-
COVID-19 related rent concessions		(76)	-	(76)	-
Expenses arising from leases					
Expenses relating to short-term leases	(i)	-	1	120	2
Expenses relating to leases of low-value assets	(ii)	3	2	6	4

(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.

B13. Utilisation of proceeds

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

Purpose	Intended timeframe for utilisation upon listing	Proposed utilisation RM'000	%	Amount utilised to the date of this report RM'000	%	Deviation RM'000	%
Capital expenditure	Within 12 months	10,354	49.31	-	-	-	-
Repayment of borrowings	Within 3 months	3,520	16.76	-	-	-	-
Working capital	Within 12 months	3,526	16.79	-	-	-	-
Estimated listing expenses	Within 1 month	3,600	17.14	3,490	16.62	110[(1)]	3.06[(1)]
Total		**21,000**	**100.00**	**3,490**	**16.62**	**110**	**3.06**

The proposed utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus.

(1) *The allocated IPO proceeds for estimated listing expenses have not been fully utilised in the current financial period.*