

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

**Financial statements for the financial
year ended 31 December 2020**

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)

(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the financial year ended 31 December 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Profit/(Loss) for the financial year attributable to: | | |
| Owners of the Company | 5,641 | (232) |
| Non-controlling interests | 772 | - |
| | <u>6,413</u> | <u>(232)</u> |

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors

Directors of the Company who served during the financial year until the date of this report are:

Tan Sri Dato' Tan Boon Hock
 Tan Sri Datuk Dr. Ir. Ahmad Tajuddin bin Ali
 Tan Sing Yee
 Yap Eng Gee
 Yap Ping Hong

(Appointed on 22 January 2020)
 (Appointed on 22 January 2020)

Directors (continued)

Directors of the Company's subsidiaries (excluding Directors who are also Directors of the Company) who served during the financial year until the date of this report are:

Dr. Chuah Kay Leong
 Dr. Chang Khai Meng
 Dr. Chung Soon Hee
 Dr. Hasani Bin Andar
 Dr. Lam Hee Hong
 Dr. Ngim You Siang
 Dr. Ngo Chek Tung
 Dr. Nor Zainura Binti Zainal
 Dr. Yen Siew Siang
 Tan Sing Chia

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|--|---------------------------|---------------------------|------|------------------|
| | At 1.1.2020 | Bought | Sold | At 31.12.2020 |
| Interests in the Company: | | | | |
| Direct interests | | | | |
| Tan Sri Dato' Tan Boon Hock | 1 | 85,859,999 ⁽²⁾ | - | 85,860,000 |
| Tan Sing Yee | - | 1,030,000 | - | 1,030,000 |
| Indirect interests | | | | |
| Tan Sri Dato' Tan Boon Hock ⁽¹⁾ | - | 80,246,000 ⁽³⁾ | - | 80,246,000 |

⁽¹⁾ Deemed interests by virtue of his interests in Sena Healthcare Services Sdn. Bhd. (formerly known as Optimax Healthcare Services Sdn. Bhd.) pursuant to Section 8(4) of the Companies Act 2016 ("Act") and interests of his spouse and children (except for Tan Sing Yee who is a Director of the Company) by virtue of Section 59(11)(c) of the Act.

⁽²⁾ Includes 85,859,999 shares resulting from restructuring exercise as disclosed in Note 26 to the financial statements.

⁽³⁾ Includes 78,860,000 shares resulting from restructuring exercise as disclosed in Note 26 to the financial statements.

Directors' interests in shares (continued)

By virtue of his interests of more than 20% in the shares of the Company, Tan Sri Dato' Tan Boon Hock is also deemed interested in the shares of all subsidiaries during the financial year to the extent that the Company has an interest.

Details of his deemed interests in non-wholly owned subsidiaries are as follows:

| | Number of ordinary shares | | | |
|--|---------------------------|--------|------|------------------|
| | At 1.1.2020 | Bought | Sold | At 31.12.2020 |
| Held through Optimax Eye Specialist Centre Sdn. Bhd. ⁽¹⁾: | | | | |
| Optimax Eye Specialist Centre (Bandar Sunway) Sdn. Bhd. | 560,000 | - | - | 560,000 |
| Optimax Eye Specialist Centre (Kajang) Sdn. Bhd. | 158,000 | - | - | 158,000 |
| Optimax Eye Specialist Centre (Seri Petaling) Sdn. Bhd. | 35,000 | - | - | 35,000 |
| Optixanthin Sdn. Bhd. | 90 | - | - | 90 |
| Optimax Eye Specialist Centre (Southern) Sdn. Bhd. | 70 | - | - | 70 |
| Held through Optimax Eye Specialist Centre (Southern) Sdn. Bhd. ⁽¹⁾: | | | | |
| Optimax Eye Specialist Centre (Muar) Sdn. Bhd. | 70,000 | - | - | 70,000 |
| Optimax Eye Specialist Centre (Kluang) Sdn. Bhd. | 63,000 | - | - | 63,000 |
| Optimax Eye Specialist Centre (Segamat) Sdn. Bhd. | 63,000 | - | - | 63,000 |
| Inspirasi Alamjaya Sdn. Bhd. | 2 | - | - | 2 |

⁽¹⁾ Companies with shares held through Optimax Eye Specialist Centre Sdn. Bhd. or Optimax Eye Specialist Centre (Southern) Sdn. Bhd. which in turn is a direct subsidiary of Optimax Holdings Berhad.

The other Directors holding office at 31 December 2020 did not have any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of a related corporation) by reason of a contract made by the Company or related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the related party transactions as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company issued the following shares:

- a) 199,999,999 ordinary shares for a total consideration of RM19,500,000 for the restructuring exercise as disclosed in Note 26 to the financial statements; and
- b) 70,000,000 ordinary shares ("Public Issue") in conjunction with the Company's initial public offering on the ACE Market of Bursa Malaysia Securities Berhad at RM0.30 per ordinary share ("Initial Public Offering").

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, there is no indemnity and insurance purchased for Directors, officers and auditors of the Company.

Qualification of subsidiaries' financial statements

The auditors' report on the audit of the financial statements of the Company's subsidiaries did not contain any qualification.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision needs to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

Significant events are disclosed in Note 28 to the financial statements.

Subsequent events

Subsequent events are disclosed in Note 29 to the financial statements.

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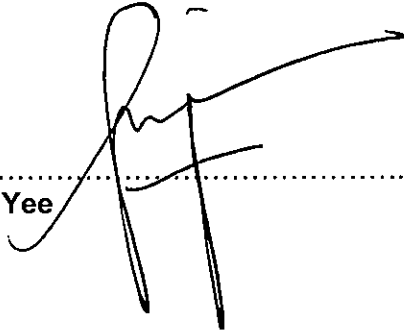
Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

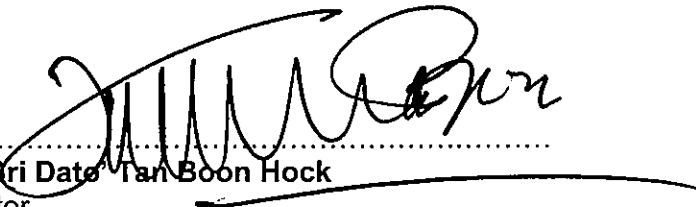
The auditors' remuneration is disclosed in Note 17 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sing Yee
Director



.....
Tan Sri Datu Tan Boon Hock
Director



Kuala Lumpur

Date: 28 April 2021

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Statements of financial position as at 31 December 2020

| | Note | Group | | Company | |
|---------------------------------|------|----------------|-------------------------------|----------------|----------------|
| | | 2020 RM'000 | 2019 ⁽¹⁾ RM'000 | 2020 RM'000 | 2019 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 3 | 42,985 | 39,060 | - | - |
| Right-of-use assets | 4 | 9,958 | 10,062 | - | - |
| Investments in subsidiaries | 5 | - | - | 19,500 | - |
| Deferred tax assets | 6 | 462 | 290 | - | - |
| Trade and other receivables | 7 | - | - | 2,423 | - |
| Total non-current assets | | <u>53,405</u> | <u>49,412</u> | <u>21,923</u> | <u>-</u> |
| Inventories | 8 | 2,220 | 1,810 | - | - |
| Trade and other receivables | 7 | 1,454 | 2,354 | 1,749 | - |
| Current tax assets | | 112 | 152 | - | - |
| Prepayments | | 1,001 | 1,668 | - | - |
| Investment in financial assets | 9 | 15,129 | - | 15,124 | - |
| Cash and cash equivalents | 10 | 10,914 | 8,519 | 66 | 2 |
| Total current assets | | <u>30,830</u> | <u>14,503</u> | <u>16,939</u> | <u>2</u> |
| Total assets | | <u>84,235</u> | <u>63,915</u> | <u>38,862</u> | <u>2</u> |

| |
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|---|

Statements of financial position as at 31 December 2020 (continued)

| | Note | Group | | Company | |
|---|------|----------------|-------------------------------|----------------|----------------|
| | | 2020 RM'000 | 2019 ⁽¹⁾ RM'000 | 2020 RM'000 | 2019 RM'000 |
| Equity | | | | | |
| Share capital | 11 | 39,071 | * | 39,071 | * |
| Invested equity | 11 | - | 2,700 | - | - |
| Reserves | | 8,799 | 19,958 | (259) | (27) |
| Total equity attributable to owners of the Company | | 47,870 | 22,658 | 38,812 | (27) |
| Non-controlling interests | | 2,351 | 1,579 | - | - |
| Total equity | | 50,221 | 24,237 | 38,812 | (27) |
| Liabilities | | | | | |
| Loans and borrowings | 12 | 14,214 | 16,113 | - | - |
| Lease liabilities | | 7,008 | 6,898 | - | - |
| Deferred tax liabilities | 6 | 1,280 | 628 | - | - |
| Total non-current liabilities | | 22,502 | 23,639 | - | - |
| Loans and borrowings | 12 | 3,441 | 4,082 | - | - |
| Lease liabilities | | 1,750 | 1,710 | - | - |
| Trade and other payables | 13 | 5,785 | 9,327 | 50 | 29 |
| Current tax liabilities | | 536 | 920 | - | - |
| Total current liabilities | | 11,512 | 16,039 | 50 | 29 |
| Total liabilities | | 34,014 | 39,678 | 50 | 29 |
| Total equity and liabilities | | 84,235 | 63,915 | 38,862 | 2 |

* Denotes RM1

⁽¹⁾ As explained in Note 26 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

The notes on pages 17 to 80 are an integral part of these financial statements.

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Statements of profit or loss and other comprehensive income for the financial year ended 31 December 2020

| | Note | Group | | Company | |
|---|------|----------------|-------------------------------|----------------|----------------|
| | | 2020 RM'000 | 2019 ⁽¹⁾ RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue | 14 | 58,020 | 62,619 | - | - |
| Other income | | 230 | 87 | 34 | - |
| Inventories and consumables | | (12,090) | (12,875) | - | - |
| Staff costs | 15 | (22,791) | (23,617) | (230) | - |
| Depreciation expenses | | (5,955) | (5,642) | - | - |
| Other expenses | | (6,328) | (6,587) | (159) | (11) |
| Results from operating activities | | 11,086 | 13,985 | (355) | (11) |
| Finance income | | 124 | 48 | 123 | - |
| Finance costs | 16 | (1,540) | (1,461) | - | - |
| Profit/(Loss) before tax | 17 | 9,670 | 12,572 | (232) | (11) |
| Tax expense | 18 | (3,257) | (3,833) | - | - |
| Profit/(Loss) and total comprehensive income/ (expense) for the financial year | | 6,413 | 8,739 | (232) | (11) |
| Profit/(Loss) and total comprehensive income/ (expense) attributable to: | | | | | |
| Owners of the Company | | 5,641 | 7,831 | (232) | (11) |
| Non-controlling interests | | 772 | 908 | - | - |
| Profit/(Loss) and total comprehensive income/ (expense) for the financial year | | 6,413 | 8,739 | (232) | (11) |
| Basic earnings per ordinary share (sen) | 19 | 2.46 | 3.92 | | |

⁽¹⁾ As explained in Note 26 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

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Consolidated statement of changes in equity for the financial year ended 31 December 2020

| Group | Note | ← Attributable to owners of the Company → | | | | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|------|---|------------------------------|-----------------------------|--------------------------------|-----------------|--|---------------------------|
| | | Share capital RM'000 | Invested equity RM'000 | Other reserves RM'000 | Retained earnings RM'000 | | | |
| At 1 January 2019⁽¹⁾ | | * | 2,700 | (686) | 18,780 | 20,794 | 1,204 | 21,998 |
| Changes in ownership interests in a subsidiary | 27 | - | - | - | 33 | 33 | (123) | (90) |
| Dividends to non-controlling interests | | - | - | - | - | - | (410) | (410) |
| Dividends to owners of the Company | 20 | - | - | - | (6,000) | (6,000) | - | (6,000) |
| Profit and total comprehensive income for the financial year | | - | - | - | 7,831 | 7,831 | 908 | 8,739 |
| At 31 December 2019/1 January 2020⁽¹⁾ | | * | 2,700 | (686) | 20,644 | 22,658 | 1,579 | 24,237 |
| Effect of restructuring ⁽²⁾ | 26 | 19,500 | (2,700) | (16,800) | - | - | - | - |
| New shares issued by the Company for the Public Issue | | 21,000 | - | - | - | 21,000 | - | 21,000 |
| New shares issuance expenses for the Public Issue | | (1,429) | - | - | - | (1,429) | - | (1,429) |
| Profit and total comprehensive income for the financial year | | - | - | - | 5,641 | 5,641 | 772 | 6,413 |
| At 31 December 2020 | | 39,071 | - | (17,486) | 26,285 | 47,870 | 2,351 | 50,221 |

* Denotes RM1

⁽¹⁾ As explained in Note 26 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

⁽²⁾ The effect of restructuring arose from the Restructuring exercise as explained in Note 26.

Statement of changes in equity for the financial year ended 31 December 2020

| | Share capital RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
|---|----------------------------|---------------------------------|---------------------------|
| Company | | | |
| At 1 January 2019 | * | (16) | (16) |
| Loss and total comprehensive expense for the financial year | - | (11) | (11) |
| At 31 December 2019/1 January 2020 | * | (27) | (27) |
| Effect of restructuring ⁽¹⁾ | 19,500 | - | 19,500 |
| New shares issued by the Company for the Public Issue | 21,000 | - | 21,000 |
| New shares issuance expenses for the Public Issue | (1,429) | - | (1,429) |
| Loss and total comprehensive expense for the financial year | - | (232) | (232) |
| At 31 December 2020 | <u>39,071</u> | <u>(259)</u> | <u>38,812</u> |

Note 11

* Denotes RM1

⁽¹⁾ The effect of restructuring arose from the Restructuring exercise as explained in Note 26.

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Statements of cash flows for the financial year ended 31 December 2020

| | Note | Group | | Company | |
|--|------|----------------|-------------------------------|----------------|----------------|
| | | 2020 RM'000 | 2019 ⁽¹⁾ RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash flows from operating activities | | | | | |
| Profit/(Loss) before tax | | 9,670 | 12,572 | (232) | (11) |
| <i>Adjustments for:</i> | | | | | |
| Finance income | 17 | (124) | (48) | (123) | - |
| Finance costs | 16 | 1,540 | 1,461 | - | - |
| Depreciation of property, plant and equipment | 3 | 4,141 | 3,902 | - | - |
| Depreciation of right-of-use assets | 4 | 1,814 | 1,740 | - | - |
| Gain on derecognition of right-of-use assets | 17 | - | (23) | - | - |
| Fair value gain on investment in financial assets | 17 | (36) | - | (34) | - |
| Property, plant and equipment written off | 17 | 4 | 1 | - | - |
| Initial public offering expenses | 17 | 603 | 651 | - | - |
| Operating profit/(loss) before changes in working capital | | 17,612 | 20,256 | (389) | (11) |
| Changes in working capital: | | | | | |
| Inventories | | (410) | 52 | - | - |
| Trade and other receivables | | 900 | 8 | (1,430) | - |
| Prepayments | | 136 | (553) | - | - |
| Trade and other payables | | (1,561) | 791 | 21 | 13 |
| Cash generated from/(used in) operations | | 16,677 | 20,554 | (1,798) | 2 |
| Interest received | | 31 | 48 | - | - |
| Interest paid | | (631) | (509) | - | - |
| Tax refund | | 127 | 821 | - | - |
| Tax paid | | (3,248) | (3,258) | - | - |
| Net cash from/(used in) operating activities | | 12,956 | 17,656 | (1,798) | 2 |

Statements of cash flows for the financial year ended 31 December 2020 (continued)

| | Note | Group | | Company | |
|--|------|-----------------|-------------------------------|-----------------|----------------|
| | | 2020 RM'000 | 2019 ⁽¹⁾ RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash flows from investing activities | | | | | |
| Acquisition of non-controlling interests | 27 | - | (90) | - | - |
| Acquisition of property, plant and equipment | | (4,558) | (3,714) | - | - |
| Deposits paid for acquisition of property, plant and equipment | | - | (975) | - | - |
| Increase in investment in financial assets | | (15,000) | - | (15,000) | - |
| Change in pledged deposits | | (22) | (329) | - | - |
| Advances provided to subsidiaries | | - | - | (5,286) | - |
| Repayment of advances from subsidiaries | | - | - | 1,148 | - |
| Net cash used in investing activities | | (19,580) | (5,108) | (19,138) | - |
| Cash flows from financing activities | | | | | |
| Dividends paid to owners of the Company | 20 | - | (6,000) | - | - |
| Dividends paid to non-controlling interests | | - | (410) | - | - |
| Interest paid | | (909) | (952) | - | - |
| Repayment of hire purchase liabilities | | (2,110) | (1,633) | - | - |
| Repayment of term loans | | (3,591) | (779) | - | - |
| Proceeds from issuance of new shares | | 21,000 | - | 21,000 | - |
| Payment of listings expenses | | (2,037) | (384) | - | - |
| Payment of lease liabilities | | (1,560) | (1,530) | - | - |
| Net cash from/(used in) financing activities | | 10,793 | (11,688) | 21,000 | - |
| Net increase in cash and cash equivalents | | 4,169 | 860 | 64 | 2 |
| Cash and cash equivalents at 1 January | | 5,674 | 4,814 | 2 | * |
| Cash and cash equivalents at 31 December | | 9,843 | 5,674 | 66 | 2 |

* Denotes RM1

⁽¹⁾ As explained in Note 26 Restructuring exercise, the comparative figures in the Group's financial statements are presented as if the restructuring had occurred before the start of the earliest period presented.

Statements of cash flows for the financial year ended 31 December 2020 (continued)

(i) Cash and cash equivalents

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

| | Note | Group | | Company | |
|---------------------------|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash and cash equivalents | 10 | 10,914 | 8,519 | 66 | 2 |
| Bank overdraft | 12 | - | (1,796) | - | - |
| | | 10,914 | 6,723 | 66 | 2 |
| Pledged deposits | 10 | (1,071) | (1,049) | - | - |
| | | <u>9,843</u> | <u>5,674</u> | <u>66</u> | <u>2</u> |

(ii) Cash outflows for leases as a lessee

| | Note | Group | |
|--|------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 |
| Included in net cash from operating activities: | | | |
| Payment relating to short-term leases | 17 | 122 | 157 |
| Payment relating to leases of low-value assets | 17 | 15 | 11 |
| Interest paid in relation to lease liabilities | 16 | 601 | 461 |
| Included in net cash from financing activities: | | | |
| Payment of lease liabilities | | <u>1,560</u> | <u>1,530</u> |
| Total cash outflows for leases | | <u>2,298</u> | <u>2,159</u> |

Statements of cash flows for the financial year ended 31 December 2020 (continued)

(iii) Acquisition of property, plant and equipment

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

| | Group | |
|--|----------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Paid in cash | 3,944 | 3,120 |
| In the form of hire purchase | 3,289 ⁽¹⁾ | 1,111 |
| Balances remained unpaid at financial year end | 837 | 2,074 |
| | 8,070 | 6,305 |

⁽¹⁾ Mainly due to a hire purchase arrangement entered into by the Group to finance an operation equipment amounting to RM1,950,000 in the current financial year, in which a deposit of RM975,000 was paid in the previous financial year. The deposit of RM975,000 was initially financed using the Group's bank overdraft facility, which has subsequently been repaid and replaced by the hire purchase arrangement.

During the financial year, the Group paid the remaining outstanding amounts of RM406,000 and RM208,000 which are in relation to plant and equipment acquired in the financial year ended 31 December 2019 and 31 December 2018 respectively. In financial year ended 31 December 2019, the Group paid the remaining outstanding amount of RM594,000 which is in relation to plant and equipment acquired in the financial year ended 31 December 2018.

The Group also entered into hire purchase arrangement to finance the plant and equipment acquired in the previous financial year of RM1,668,000 (2019: RM1,035,000).

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Statements of cash flows for the financial year ended 31 December 2020 (continued)

(iv) Reconciliation of movements of liabilities to cash flows arising from financing activities

| | At 1.1.2019 RM'000 | Payments RM'000 | Acquisition of new lease RM'000 | Derecognition of lease RM'000 | Remeasure- ments RM'000 | At 31.12.2019 RM'000 |
|---------------------------|--------------------------|--------------------|---------------------------------------|-------------------------------------|-------------------------------|----------------------------|
| Group | | | | | | |
| Term loans | 13,202 | (779) | - | - | - | 12,423 |
| Hire purchase liabilities | 5,463 | (1,633) | 2,146 | - | - | 5,976 |
| Lease liabilities | 7,117 | (1,530) | 1,611 | (261) | 1,671 | 8,608 |
| | <u>25,782</u> | <u>(3,942)</u> | <u>3,757</u> | <u>(261)</u> | <u>1,671</u> | <u>27,007</u> |

| | At 1.1.2020 RM'000 | Payments RM'000 | Acquisition of new lease RM'000 | Remeasure- ments RM'000 | At 31.12.2020 RM'000 |
|---------------------------|--------------------------|--------------------|---------------------------------------|-------------------------------|----------------------------|
| Group | | | | | |
| Term loans | 12,423 | (3,591) | - | - | 8,832 |
| Hire purchase liabilities | 5,976 | (2,110) | 4,957 | - | 8,823 |
| Lease liabilities | 8,608 | (1,560) | - | 1,710 | 8,758 |
| | <u>27,007</u> | <u>(7,261)</u> | <u>4,957</u> | <u>1,710</u> | <u>26,413</u> |

The notes on pages 17 to 80 are an integral part of these financial statements.

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Notes to the financial statements

Optimax Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

1st and 2nd Floor

No. 145, Jalan Radin Bagus

Seri Petaling

57000 Kuala Lumpur, Wilayah Persekutuan

Registered office

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No. 8, Jalan Kerinchi

59200 Kuala Lumpur, Wilayah Persekutuan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2020 do not include other entities.

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 28 April 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group has early adopted *Covid-19-Related Rent Concessions – Amendment to MFRS 16* issued by MASB on 5 June 2020 in response to the coronavirus disease pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The Group and the Company plan to apply the relevant abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and amendments to MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the abovementioned amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- *Note 4 – extension options and incremental borrowing rate in relation to leases*

The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. The Group also applies judgement and assumptions in determining the incremental borrowing rate of respective leases.

- *Note 6 – recognition of deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

2. Significant accounting policies

The Group has early adopted *Covid-19-Related Rent Concessions – Amendment to MFRS 16* issued on 5 June 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the Covid-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group's equity and any resulting gain or loss is recognised directly in equity.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) *Amortised cost*

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through profit or loss

All financial asset not measured at amortised costs or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial asset (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(h)(i)).

Financial liabilities

Amortised cost

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

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land is measured at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|--|--------------|
| • Buildings | 50 years |
| • Furniture, fittings and office equipment | 3 - 10 years |
| • Operation equipment | 5 - 8 years |
| • Renovation | 5 - 10 years |
| • Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Covid-19-related rent concessions

The Group has applied *Covid-19-Related Rent Concessions – Amendment to MFRS 16*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in-first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents consist of balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(j) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

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

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

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2. Significant accounting policies (continued)

(m) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

2. Significant accounting policies (continued)

(n) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(p) Operating segments

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

(q) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Significant accounting policies (continued)

(r) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Property, plant and equipment

| Group | Freehold land RM'000 | Buildings RM'000 | Furniture, fittings and office equipment RM'000 | Operation equipment RM'000 | Renovation RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|-------------------------------------|----------------------------|---------------------|---|----------------------------------|----------------------|-----------------------------|---|-----------------|
| Cost | | | | | | | | |
| At 1 January 2019 | 14,636 | 6,215 | 4,140 | 45,638 | 5,660 | 1,112 | 214 | 77,615 |
| Additions | - | - | 366 | 3,740 | 176 | - | 2,023 | 6,305 |
| Reclassification | - | - | - | - | 105 | - | (105) | - |
| Written off | - | - | - | (1) | - | - | - | (1) |
| At 31 December 2019/1 January 2020 | 14,636 | 6,215 | 4,506 | 49,377 | 5,941 | 1,112 | 2,132 | 83,919 |
| Additions | - | - | 596 | 6,445 | 917 | - | 112 | 8,070 |
| Reclassification | - | - | 236 | 20 | 1,876 | - | (2,132) | - |
| Written off | - | - | (7) | (7) | - | - | - | (14) |
| At 31 December 2020 | 14,636 | 6,215 | 5,331 | 55,835 | 8,734 | 1,112 | 112 | 91,975 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2019 | - | 156 | 3,293 | 33,613 | 3,540 | 355 | - | 40,957 |
| Depreciation for the financial year | - | 140 | 232 | 2,871 | 470 | 189 | - | 3,902 |
| At 31 December 2019/1 January 2020 | - | 296 | 3,525 | 36,484 | 4,010 | 544 | - | 44,859 |
| Depreciation for the financial year | - | 140 | 250 | 3,058 | 514 | 179 | - | 4,141 |
| Written off | - | - | (3) | (7) | - | - | - | (10) |
| At 31 December 2020 | - | 436 | 3,772 | 39,535 | 4,524 | 723 | - | 48,990 |
| Carrying amounts | | | | | | | | |
| At 1 January 2019 | 14,636 | 6,059 | 847 | 12,025 | 2,120 | 757 | 214 | 36,658 |
| At 31 December 2019/1 January 2020 | 14,636 | 5,919 | 981 | 12,893 | 1,931 | 568 | 2,132 | 39,060 |
| At 31 December 2020 | 14,636 | 5,779 | 1,559 | 16,300 | 4,210 | 389 | 112 | 42,985 |

3. Property, plant and equipment (continued)

3.1 Assets under hire purchase

Carrying amounts of plant and equipment held under hire purchase arrangements are as follows:

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Furniture, fittings and office equipment | 156 | 212 |
| Operation equipment | 9,580 | 6,282 |
| Motor vehicles | 192 | 286 |
| | 9,928 | 6,780 |

3.2 Security

Included in property, plant and equipment of the Group are certain property, plant and equipment with carrying amount of RM16,958,000 (2019: RM20,555,000) which were pledged to a financial institution to secure term loan facility granted to the Group as disclosed in Note 12.

4. Right-of-use assets

| | Leasehold land RM'000 | Buildings RM'000 | Operation equipment RM'000 | Total RM'000 |
|--|-----------------------------|---------------------|----------------------------------|-----------------|
| Group | | | | |
| At 1 January 2019 | 1,818 | 6,940 | - | 8,758 |
| Additions | - | 995 | 616 | 1,611 |
| Remeasurements | - | 1,671 | - | 1,671 |
| Derecognition | - | (238) | - | (238) |
| Depreciation | (20) | (1,593) | (127) | (1,740) |
| At 31 December 2019/ 1 January 2020 | 1,798 | 7,775 | 489 | 10,062 |
| Remeasurements | - | 1,710 | - | 1,710 |
| Depreciation | (20) | (1,623) | (171) | (1,814) |
| At 31 December 2020 | 1,778 | 7,862 | 318 | 9,958 |

The Group's leasehold land has remaining lease terms of 89 years since the date of acquisition.

The Group also leases a number of buildings for its clinics and operation equipment for its business operation that typically run between 1 to 5 years. The Group has an option to renew the lease for buildings after that date.

4. Right-of-use assets (continued)

4.1 Extension options

Some of the buildings contain extension options exercisable by the Group between 1 to 6 years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The extension options in the leases of buildings have been included in the determination of lease liabilities at the lease commencement date.

4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Security

In previous financial year, the leasehold land with net carrying amount of RM1,798,000 was pledged to a financial institution to secure term loan facility granted to the Group as disclosed in Note 12. The security was discharged during the financial year with the repayment of the term loan facility.

4.4 Rent concessions

The Group negotiated rent concessions with its lessors for some of its building leases as a result of the severe impact of the Covid-19 pandemic during the financial year. The Group applied the practical expedient for Covid-19 related rent concessions consistently to eligible rent concessions relating to its building leases. The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for Covid-19 related rent concessions is RM76,000 (2019: RM Nil).

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5. Investments in subsidiaries

| | |
|--------------------|------------------------------------|
| | Company 2020 RM'000 |
| Cost of investment | <u>19,500</u> |

Details of the subsidiaries are as follows:

| Name of entity | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest | |
|--|--|--|--|-----------|
| | | | 2020 % | 2019 % |
| Direct subsidiary | | | | |
| Optimax Eye Specialist Centre Sdn. Bhd. ("OESC") | Malaysia | Eye specialist services and related products and services and investment holding | 100 | 100 |
| Indirect subsidiaries | | | | |
| Held through Optimax Eye Specialist Centre Sdn. Bhd.: | | | | |
| Optimax Eye Specialist Centre (Shah Alam) Sdn. Bhd. ("OESC Shah Alam") | Malaysia | Eye specialist services and related products and services | 100 | 100 |
| Optimax Eye Specialist Centre (Seremban) Sdn. Bhd. ("OESC Seremban") | Malaysia | Eye specialist services and related products and services | 100 | 100 |
| Optimax Eye Specialist Centre (Kajang) Sdn. Bhd. ("OESC Kajang") | Malaysia | Dormant | 79 | 79 |
| Optimax Eye Specialist Centre (Kuching) Sdn. Bhd. ("OESC Kuching") | Malaysia | Eye specialist services and related products and services | 100 | 100 |
| Optimax Eye Specialist Centre (Bandar Sunway) Sdn. Bhd. ("OESC Bandar Sunway") | Malaysia | Eye specialist services and related products and services | 70 | 70 |

5. Investments in subsidiaries (continued)

| Name of entity | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest | |
|--|--|---|--|-----------|
| | | | 2020 % | 2019 % |
| Indirect subsidiaries (continued) | | | | |
| Held through Optimax Eye Specialist Centre Sdn. Bhd. (continued): | | | | |
| Optimax Eye Specialist Centre (Ipoh) Sdn. Bhd. ("OESC Ipoh") | Malaysia | Eye specialist services and related products and services | 100 | 100 |
| Optimax Eye Specialist Centre (Seri Petaling) Sdn. Bhd. ("OESC Seri Petaling") | Malaysia | Eye specialist services and related products and services | 70 | 70 |
| Optimax Eye Specialist Centre (Southern) Sdn. Bhd. ("OESC Southern") | Malaysia | Investment holding | 70 | 70 |
| Optixanthin Sdn. Bhd. ("Optixanthin") | Malaysia | Marketing of food product | 90 | 90 |
| Held through Optimax Eye Specialist Centre (Southern) Sdn. Bhd.: | | | | |
| Optimax Eye Specialist Centre (Muar) Sdn. Bhd. ("OESC Muar") | Malaysia | Eye specialist services and related products and services | 70 | 70 |
| Optimax Eye Specialist Centre (Kluang) Sdn. Bhd. ("OESC Kluang") | Malaysia | Eye specialist services and related products and services | 63 | 63 |
| Optimax Eye Specialist Centre (Segamat) Sdn. Bhd. ("OESC Segamat") | Malaysia | Eye specialist services and related products and services | 63 | 63 |
| Inspirasi Alamjaya Sdn. Bhd. ("Inspirasi Alamjaya") | Malaysia | Eye specialist services and related products and services | 70 | 70 |

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5. Investments in subsidiaries (continued)

5.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | 2020 | | | | | | | Total RM'000 |
|--|------------------------|------------------------------------|----------------------------|---------------------------------|--------------------------|---------------------------|--|-----------------|
| | OESC Muar RM'000 | OESC Bandar Sunway RM'000 | OESC Southern RM'000 | Inspirasi Alamjaya RM'000 | OESC Kluang RM'000 | OESC Segamat RM'000 | Other subsidiaries with immaterial NCI RM'000 | |
| NCI percentage of ownership interest and voting interest | 30% | 30% | 30% | 30% | 37% | 37% | | |
| Carrying amount of NCI | 725 | 1,005 | (318) | 287 | 294 | 325 | 33 | 2,351 |
| Profit/(Loss) allocated to NCI | 59 | 358 | (2) | 68 | 99 | 159 | 31 | 772 |
| Summarised financial information before intra-group elimination | | | | | | | | |
| As at 31 December | | | | | | | | |
| Non-current assets | 1,319 | 642 | 280 | 2,434 | 1,600 | 986 | | |
| Current assets | 1,786 | 3,732 | 9 | 965 | 1,005 | 1,123 | | |
| Non-current liabilities | (242) | (257) | - | (1,587) | (1,220) | (577) | | |
| Current liabilities | (447) | (768) | (1,349) | (854) | (590) | (654) | | |
| Net assets/(liabilities) | 2,416 | 3,349 | (1,060) | 958 | 795 | 878 | | |

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5. Investments in subsidiaries (continued)

5.1 Non-controlling interests in subsidiaries (continued)

| | 2020 | | | | | |
|--|---------------------|------------------------------|-------------------------|------------------------------|-----------------------|------------------------|
| | OESC Muar RM'000 | OESC Bandar Sunway RM'000 | OESC Southern RM'000 | Inspirasi Alamjaya RM'000 | OESC Kluang RM'000 | OESC Segamat RM'000 |
| Summarised financial information before intra-group elimination (continued) | | | | | | |
| Financial year ended 31 December | | | | | | |
| Revenue | 3,415 | 4,844 | - | 3,403 | 2,808 | 3,346 |
| Profit/(Loss) for the financial year | 196 | 1,193 | (8) | 228 | 268 | 429 |
| Total comprehensive income/(expense) for the financial year | 196 | 1,193 | (8) | 228 | 268 | 429 |
| Cash flows from/(used in) operating activities | 491 | 798 | (28) | 698 | 444 | 772 |
| Cash flows used in investing activities | (59) | (3) | - | (394) | (1) | (6) |
| Cash flows used in financing activities | (117) | (47) | - | (236) | (320) | (310) |
| Net increase/(decrease) in cash and cash equivalents | 315 | 748 | (28) | 68 | 123 | 456 |

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5. Investments in subsidiaries (continued)

5.1 Non-controlling interests in subsidiaries (continued)

| | 2019 | | | | | | Total RM'000 |
|--|------------------------|------------------------------------|--|---------------------------------|--------------------------|---------------------------|-----------------|
| | OESC Muar RM'000 | OESC Bandar Sunway RM'000 | OESC Southern Southern RM'000 | Inspirasi Alamjaya RM'000 | OESC Kluang RM'000 | OESC Segamat RM'000 | |
| NCI percentage of ownership interest and voting interest | 30% | 30% | 30% | 30% | 37% | 37% | |
| Carrying amount of NCI | 666 | 647 | (316) | 219 | 195 | 166 | 2 |
| Profit/(Loss) allocated to NCI | 96 | 234 | (38) | 81 | 235 | 159 | 141 |
| Summarised financial information before intra-group elimination | | | | | | | |
| As at 31 December | | | | | | | |
| Non-current assets | 1,570 | 696 | 280 | 1,245 | 1,669 | 1,023 | |
| Current assets | 1,357 | 2,912 | 37 | 953 | 725 | 638 | |
| Non-current liabilities | (342) | (301) | - | (704) | (1,294) | (661) | |
| Current liabilities | (366) | (1,152) | (1,369) | (764) | (574) | (551) | |
| Net assets/(liabilities) | 2,219 | 2,155 | (1,052) | 730 | 526 | 449 | |

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5. Investments in subsidiaries (continued)

5.1 Non-controlling interests in subsidiaries (continued)

| | 2019 | | | | | |
|--|---------------------|------------------------------|-------------------------|------------------------------|-----------------------|------------------------|
| | OESC Muar RM'000 | OESC Bandar Sunway RM'000 | OESC Southern RM'000 | Inspirasi Alamjaya RM'000 | OESC Kluang RM'000 | OESC Segamat RM'000 |
| Summarised financial information before intra-group elimination (continued) | | | | | | |
| Financial year ended 31 December | | | | | | |
| Revenue | 3,679 | 5,859 | - | 3,449 | 2,770 | 3,075 |
| Profit/(Loss) for the financial year | 318 | 780 | (131) | 270 | 634 | 429 |
| Total comprehensive income/(expense) for the financial year | 318 | 780 | (131) | 270 | 634 | 429 |
| Cash flows from operating activities | 1,130 | 1,148 | 730 | 876 | 764 | 443 |
| Cash flows used in investing activities | (79) | (112) | - | (179) | (6) | (7) |
| Cash flows used in financing activities | (1,193) | (155) | (749) | (371) | (277) | (301) |
| Net (decrease)/increase in cash and cash equivalents | (142) | 881 | (19) | 326 | 481 | 135 |
| Dividends paid to NCI | - | - | (200) | - | - | - |

6. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Group | | | | | | |
| Property, plant and equipment | - | - | (1,211) | (655) | (1,211) | (655) |
| Right-of-use assets | - | - | (1,963) | (1,753) | (1,963) | (1,753) |
| Lease liabilities | 2,102 | 1,833 | - | - | 2,102 | 1,833 |
| Provisions | - | 1 | - | - | - | 1 |
| Unutilised tax losses | 254 | 236 | - | - | 254 | 236 |
| Tax assets/(liabilities) | 2,356 | 2,070 | (3,174) | (2,408) | (818) | (338) |
| Set-off | (1,894) | (1,780) | 1,894 | 1,780 | - | - |
| Net tax assets/(liabilities) | 462 | 290 | (1,280) | (628) | (818) | (338) |

Deferred tax assets and liabilities are offset above when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Movement in temporary differences during the financial year

| | At | Recognised in | At | Recognised in | At |
|-------------------------------|--------------------|---------------------------------------|-----------------------------------|---------------------------------------|----------------------|
| | 1.1.2019 RM'000 | profit or loss (Note 18) RM'000 | 31.12.2019/ 1.1.2020 RM'000 | profit or loss (Note 18) RM'000 | 31.12.2020 RM'000 |
| Group | | | | | |
| Property, plant and equipment | (806) | 151 | (655) | (556) | (1,211) |
| Right-of-use assets | (1,470) | (283) | (1,753) | (210) | (1,963) |
| Lease liabilities | 1,508 | 325 | 1,833 | 269 | 2,102 |
| Provisions | - | 1 | 1 | (1) | - |
| Unutilised tax losses | 308 | (72) | 236 | 18 | 254 |
| Total | (460) | 122 | (338) | (480) | (818) |

Significant judgements and assumptions in relation to deferred tax assets

The Group assesses at the end of the reporting date by applying significant judgement whether there are any future taxable profits will be available against which the deferred tax assets can be utilised. The management considers all facts and circumstances including the subsidiaries' past financial information, future projections and future business plan to help them to determine the amount of deferred tax assets that can be recognised.

6. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Property, plant and equipment | (4) | 44 |
| Right-of-use assets | - | (962) |
| Lease liabilities | - | 973 |
| Unabsorbed capital allowances | 7 | 549 |
| Unutilised tax losses | 1,118 | 652 |
| | <u>1,121</u> | <u>1,256</u> |
| Deferred tax assets not recognised at 24% | <u>269</u> | <u>301</u> |

Deferred tax assets have not been recognised in respect of these items in the end of the reporting period of certain subsidiaries because it was not probable that taxable profit will be available against which the Group can utilise the benefits there from.

In the Finance Bill 2018, it was announced that effective from Year of Assessment ("YA") 2019 onwards, unutilised tax losses from a YA can be carried forward up to 7 consecutive YAs.

Unutilised tax losses of RM320,000, RM332,000 and RM466,000 expire in YA 2025, YA 2026 and YA 2027 respectively under the current tax legislation of Malaysia.

7. Trade and other receivables

| | Note | Group | | Company | |
|------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Non-current | | | | | |
| Non-trade | | | | | |
| Amount due from a subsidiary | 7.1 | - | - | 2,423 | - |
| Current | | | | | |
| Trade | | | | | |
| Trade receivables | 7.2 | 541 | 518 | - | - |
| Non-trade | | | | | |
| Other receivables | 7.3 | 303 | 241 | - | - |
| Deposits | 7.4 | 610 | 1,595 | 1 | - |
| Amount due from subsidiaries | 7.5 | - | - | 1,748 | - |
| | | 913 | 1,836 | 1,749 | - |
| | | 1,454 | 2,354 | 1,749 | - |
| | | 1,454 | 2,354 | 4,172 | - |

- 7.1 The non-current portion of non-trade amount due from a subsidiary is unsecured, subject to interest at 3.37% per annum and not repayable within the next twelve months.
- 7.2 Included in trade receivables of the Group is an amount totalling RM3,000 (2019: RM Nil) owing from the companies in which a Director has financial interest. The amount owing from the companies in which a Director has financial interest is unsecured, interest free and subject to normal trade terms.
- 7.3 In previous financial year, included in other receivables of the Group was an amount totalling RM175,000 owing from the companies in which a Director has financial interest. The amount owing from the companies in which a Director has financial interest was unsecured, interest free and repayable on demand. The amount was fully repaid during the financial year.
- 7.4 Included in the deposits of the Group are amounts totalling RM131,000 (2019: RM131,000) and RM35,000 (2019: RM35,000) paid to companies in which a Director has financial interest and to a Director.

In previous financial year, included in the deposits of the Group was an amount totalling of RM975,000 relating to the deposit paid for the acquisition of property, plant and equipment.

- 7.5 The current portion of non-trade amount due from subsidiaries is unsecured, interest free and repayable on demand, except for advances amounting to RM1,715,000 (2019: RM Nil) which are subject to interest at 3.37% per annum.

8. Inventories

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| At cost: | | |
| Raw materials | 78 | - |
| Medicine and disposable consumables | 2,142 | 1,810 |
| | <u>2,220</u> | <u>1,810</u> |
| Recognised in profit or loss | <u>11,212</u> | <u>12,226</u> |

9. Investment in financial assets

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Investment in money market funds - fair value through profit or loss | <u>15,129</u> | <u>-</u> | <u>15,124</u> | <u>-</u> |

10. Cash and cash equivalents

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash and bank balances | 9,843 | 7,470 | 66 | 2 |
| Deposits placed with a licensed bank | 1,071 | 1,049 | - | - |
| | <u>10,914</u> | <u>8,519</u> | <u>66</u> | <u>2</u> |

Included in the deposits placed with a licensed bank of the Group is RM1,071,000 (2019: RM1,049,000) pledged for a bank overdraft facility granted to the Group.

11. Share capital, invested equity and other reserves

(a) Share capital

| | Group and Company | | Group and Company | |
|---|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | Amount 2020 RM'000 | Number of shares 2020 '000 | Amount 2019 RM'000 | Number of shares 2019 '000 |
| Issued and fully paid shares with no par value classified as equity instruments: | | | | |
| Ordinary shares | | | | |
| At 1 January | * | * | * | * |
| Effect of restructuring (Note 26) | 19,500 | 200,000 | - | - |
| New shares issued for the Public Issue | 21,000 | 70,000 | - | - |
| New shares issuance expenses for the Public Issue | (1,429) | - | - | - |
| At 31 December | <u>39,071</u> | <u>270,000</u> | <u>*</u> | <u>*</u> |
| | | | 2020 RM'000 | 2019 RM'000 |
| Share capital in legal form | | | 40,500 | * |
| Less: New shares issuance expenses for the Public Issue | | | <u>(1,429)</u> | <u>-</u> |
| Share capital in the statements of financial position | | | <u>39,071</u> | <u>*</u> |

* Denotes RM1, consisting 1 ordinary share

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The new ordinary shares issued during the financial year rank equally in all respects with the existing shares of the Company.

11. Share capital, invested equity and other reserves (continued)

(b) Invested equity

| | Group | |
|-----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Invested equity | - | <u>2,700</u> |

Invested equity comprised the share capital of OESC. The amount has been reversed against the restructuring reserve as disclosed in Note 26.

(c) Other reserves

(i) Business combination reserve

The business combination reserve comprises the difference between the consideration paid and net assets acquired in the acquisition of two subsidiaries namely OESC Ipoh and OESC Seri Petaling from a common control shareholder during the financial year ended 31 December 2017.

(ii) Restructuring reserve

In the event where a new company is formed to facilitate a restructuring exercise, in which the new company itself is not a business, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts as if the restructuring had occurred before the start of the earliest period presented. The other components of equity of the acquired entities are added to the same components within Group equity.

The restructuring reserve comprises the difference between cost of investment recorded by the Company and the share capital of OESC arising from the restructuring exercise as disclosed in Note 26.

12. Loans and borrowings

| | Note | Group | |
|---------------------------|------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 |
| Non-current | | | |
| Term loans – secured | 12.1 | 8,360 | 11,885 |
| Hire purchase liabilities | 12.2 | 5,854 | 4,228 |
| | | <u>14,214</u> | <u>16,113</u> |
| Current | | | |
| Term loans – secured | 12.1 | 472 | 538 |
| Hire purchase liabilities | 12.2 | 2,969 | 1,748 |
| Bank overdraft – secured | 12.3 | - | 1,796 |
| | | <u>3,441</u> | <u>4,082</u> |
| | | <u>17,655</u> | <u>20,195</u> |

12.1 Term loans

The term loans consisting of:

- (a) The Term Loan I bears interest at rate of 3.37% (2019: 4.12%) per annum with monthly repayment instalments. The term loan is secured and supported by:
- certain property, plant and equipment as disclosed in Note 3; and
 - corporate and personal guarantee by certain shareholders of the Company.

The outstanding balance of Term Loan I as at the financial year end is RM8,832,000 (2019: RM8,885,000).

- (b) In previous financial year, the Term Loan II beared interest at rate of 4.02% per annum with monthly repayment instalments. The term loan was secured and supported by:
- certain property, plant and equipment as disclosed in Note 3;
 - the leasehold land classified as right-of-use assets as disclosed in Note 4; and
 - corporate and personal guarantee by certain shareholders of the Company.

The term loan was fully paid during the financial year. The outstanding balance of Term Loan II as at the financial year ended 31 December 2019 was RM3,538,000.

| |
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12. Loans and borrowings (continued)

12.2 Hire purchase liabilities

Hire purchase liabilities are payable as follow:

| | Future minimum lease payments 2020 RM'000 | Interest 2020 RM'000 | Present value of minimum lease payments 2020 RM'000 | Future minimum lease payments 2019 RM'000 | Interest 2019 RM'000 | Present value of minimum lease payments 2019 RM'000 |
|---------------------------|--|----------------------------|--|--|----------------------------|--|
| Group | | | | | | |
| Less than one year | 3,383 | 414 | 2,969 | 2,067 | 319 | 1,748 |
| Between one to five years | 6,254 | 400 | 5,854 | 4,556 | 328 | 4,228 |
| | <u>9,637</u> | <u>814</u> | <u>8,823</u> | <u>6,623</u> | <u>647</u> | <u>5,976</u> |

12.3 Bank overdraft

The bank overdraft bears interest at rate of 7.45% (2019: 7.70%) per annum and secured by:

- corporate guarantee by a company in which a Director has financial interest;
- personal guarantee provided by a shareholder of the Company;
- guarantee by government agency; and
- pledged deposits placed with a licensed bank as disclosed in Note 10.

The outstanding balance of bank overdraft as at the financial year end is RM Nil (2019: RM1,796,000).

13. Trade and other payables

| | Note | Group | | Company | |
|-----------------------------|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Current Trade | | | | | |
| Trade payables | | 1,409 | 2,007 | - | - |
| Non-trade | | | | | |
| Other payables | 13.1 | 2,111 | 3,266 | - | 19 |
| Deposits | | 429 | 388 | - | - |
| Accruals and provisions | | 1,836 | 3,666 | 50 | 3 |
| Amount due to a shareholder | 13.2 | - | - | - | 7 |
| | | <u>4,376</u> | <u>7,320</u> | <u>50</u> | <u>29</u> |
| | | <u>5,785</u> | <u>9,327</u> | <u>50</u> | <u>29</u> |

13.1 Included in other payables of the Group is an amount totalling RM837,000 (2019: RM2,282,000) relating to acquisition of property, plant and equipment.

Included in other payables of the Group is an amount totalling RM2,000 (2019: RM17,000) owing to the companies in which a Director has financial interest. The amount owing to the companies in which a Director has financial interest is unsecured, interest free and repayable within 30 days.

13.2 The non-trade amount due to a shareholder was unsecured, interest free and repayable on demand.

14. Revenue

Disaggregation of revenue from contracts with customers

| | Group | |
|---------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Medicine and others | 4,253 | 3,281 |
| Medical services | 53,767 | 59,338 |
| | <u>58,020</u> | <u>62,619</u> |

Revenue recognised is predominantly from operations in Malaysia and is recognised at a point in time.

| Nature of goods or services | Timing of recognition or method used to recognise revenue | Significant payment terms |
|-----------------------------|--|--|
| Medicine and others | Revenue is recognised at a point in time when or as the control of the medicine and others is transferred to the customer. The amount of revenue recognised for medicine and others is adjusted for discounts and rebates given. | Payment for the sales of medicine and others shall be made within 30 days. |
| Medical services | Revenue is recognised at a point in time as medical services are provided. The amount of revenue recognised for medical services is adjusted for discounts and rebates given. | Payment for the services rendered shall be made within 30 days. |

There were no variable elements in consideration, obligation for returns or refunds nor warranty in the provision of the goods and services by the Group.

15. Staff costs

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Director fees | 242 | 47 | 218 | - |
| Wages, salaries and others (including key management personnel's remuneration) | 20,327 | 21,279 | 12 | - |
| Contributions to Employees Provident Fund | 2,222 | 2,291 | - | - |
| | <u>22,791</u> | <u>23,617</u> | <u>230</u> | <u>-</u> |

Staff costs include key management personnel and is disclosed in Note 25 (D).

16. Finance costs

| | Group | |
|---------------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Interest expenses arising from: | | |
| - term loans | 431 | 578 |
| - hire purchase liabilities | 478 | 374 |
| - bank overdraft | 30 | 34 |
| - lease liabilities | 601 | 461 |
| - others | - | 14 |
| | <u>1,540</u> | <u>1,461</u> |

17. Profit/(Loss) before tax

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Profit/(Loss) before tax is arrived at after charging/(crediting): | | | | |
| Auditors' remuneration | | | | |
| - Audit fees | | | | |
| KPMG PLT | | | | |
| - Statutory audit | 203 | 138 | 40 | 2 |
| - Others | - | 75 | - | - |
| - Non-audit fees | | | | |
| KPMG PLT | 210 | 285 | 20 | - |
| Local affiliates of KPMG PLT | 5 | - | - | - |

17. Profit/(Loss) before tax (continued)

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Material expenses/(income) | | | | | |
| Depreciation expenses | | | | | |
| - property, plant and equipment | | 4,141 | 3,902 | - | - |
| - right-of-use assets | | 1,814 | 1,740 | - | - |
| Donation | | 208 | - | - | - |
| Initial public offering expenses | | 603 | 651 | - | - |
| Property, plant and equipment written off | | 4 | 1 | - | - |
| Fair value gain on investment in financial assets | | (36) | - | (34) | - |
| Finance income | | | | | |
| - amount due from subsidiaries | | - | - | (33) | - |
| - investment in financial assets | | (93) | - | (90) | - |
| - cash and cash equivalents | | (31) | (48) | - | - |
| Management fees receivable | | (40) | - | - | - |
| Expenses/(Income) arising from leases | | | | | |
| Expenses relating to short-term leases | (i) | 122 | 157 | - | - |
| Expenses relating to leases of low-value assets | (ii) | 15 | 11 | - | - |
| Gain on derecognition of right-of-use assets | | - | (23) | - | - |
| Covid-19 related rent concessions | | (76) | - | - | - |

- (i) The Group leases operation equipment, office space and a motor vehicle 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.

18. Tax expense

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Recognised in profit or loss | | | | |
| Current tax expense | | | | |
| Current year provision | 2,830 | 3,699 | - | - |
| (Over)/Under provision in prior year | (53) | 256 | - | - |
| | <u>2,777</u> | <u>3,955</u> | - | - |
| Deferred tax expense | | | | |
| Origination of temporary differences | 81 | 357 | - | - |
| Under/(Over) provision in prior year | 399 | (479) | - | - |
| | <u>480</u> | <u>(122)</u> | - | - |
| | <u>3,257</u> | <u>3,833</u> | - | - |
| Reconciliation of tax expense | | | | |
| Profit/(Loss) before tax | <u>9,670</u> | <u>12,572</u> | <u>(232)</u> | <u>(11)</u> |
| Income tax calculated using Malaysian tax rate of 24% (2019: 24%) | 2,321 | 3,017 | (56) | (3) |
| Non-deductible expenses | 653 | 921 | 94 | 3 |
| Net effect of unrecognised deferred tax assets | (32) | 118 | - | - |
| Others | (31) | - | (38) | - |
| (Over)/Under provision in prior year | | | | |
| - current tax | (53) | 256 | - | - |
| - deferred tax | 399 | (479) | - | - |
| | <u>3,257</u> | <u>3,833</u> | - | - |

19. Basic earnings per ordinary share

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

| | Group | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| | RM'000 | RM'000 |
| Profit for the financial year attributable to owners of the Company | <u>5,641</u> | <u>7,831</u> |
| | Group | |
| | 2020 ⁽¹⁾ | 2019 ⁽²⁾ |
| | '000 | '000 |
| Weighted average number of ordinary shares at 31 December | <u>229,167</u> | <u>200,000</u> |
| | Group | |
| | 2020 | 2019 |
| Basic earnings per ordinary share (sen) | <u>2.46</u> | <u>3.92</u> |

⁽¹⁾ Based on the weighted average number of issued share capital of 200,000,000 ordinary shares after the completion of the restructuring exercise but before the Public Issue and 270,000,000 ordinary shares after the completion of the Public Issue.

⁽²⁾ Based on the issued share capital of 200,000,000 ordinary shares after the completion of the restructuring exercise but before the Public Issue.

There is no dilution in earnings per ordinary share as there is no potential diluted ordinary share.

20. Dividends

Dividends recognised by the Group:

| | Sen per share | Total RM'000 | Date of payment |
|-----------------------|------------------|-----------------|--------------------|
| 2019 | | | |
| Interim 2019 ordinary | 222.2 | <u>6,000</u> | 31 July 2019 |

The Directors do not recommend any final dividend to be paid for the financial year under review.

21. 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 the customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

| Geographical information | Group | |
|--------------------------|-------------------|---------------------------------|
| | Revenue RM'000 | Non-current assets RM'000 |
| 2020 | | |
| North Malaysia | 9,304 | 20,981 |
| Central Malaysia | 35,009 | 24,852 |
| South Malaysia | 11,940 | 6,339 |
| East Malaysia | 1,767 | 771 |
| | <u>58,020</u> | <u>52,943</u> |
| 2019 | | |
| North Malaysia | 10,342 | 21,744 |
| Central Malaysia | 37,423 | 20,995 |
| South Malaysia | 11,924 | 5,508 |
| East Malaysia | 2,930 | 875 |
| | <u>62,619</u> | <u>49,122</u> |

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the financial years ended 31 December 2020 and 31 December 2019.

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Fair value through profit or loss ("FVTPL")
 - Designated upon initial recognition ("DUIR")
- (b) Amortised cost ("AC")

| | Carrying amount RM'000 | FVTPL - DUIR RM'000 | AC RM'000 |
|--------------------------------|------------------------------|---------------------------|-----------------|
| 2020 | | | |
| Financial assets | | | |
| Group | | | |
| Trade and other receivables | 1,454 | - | 1,454 |
| Investment in financial assets | 15,129 | 15,129 | - |
| Cash and cash equivalents | 10,914 | - | 10,914 |
| | <u>27,497</u> | <u>15,129</u> | <u>12,368</u> |
| Company | | | |
| Trade and other receivables | 4,172 | - | 4,172 |
| Investment in financial assets | 15,124 | 15,124 | - |
| Cash and cash equivalents | 66 | - | 66 |
| | <u>19,362</u> | <u>15,124</u> | <u>4,238</u> |
| Financial liabilities | | | |
| Group | | | |
| Trade and other payables | (5,785) | - | (5,785) |
| Loans and borrowings | (17,655) | - | (17,655) |
| | <u>(23,440)</u> | <u>-</u> | <u>(23,440)</u> |
| Company | | | |
| Trade and other payables | (50) | - | (50) |

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | FVTPL - DUIR RM'000 | AC RM'000 |
|-------------------------------|------------------------------|---------------------------|-----------------|
| 2019 | | | |
| Financial assets | | | |
| Group | | | |
| Trade and other receivables # | 1,379 | - | 1,379 |
| Cash and cash equivalents | 8,519 | - | 8,519 |
| | <u>9,898</u> | <u>-</u> | <u>9,898</u> |
| Company | | | |
| Cash and cash equivalents | <u>2</u> | <u>-</u> | <u>2</u> |
| Financial liabilities | | | |
| Group | | | |
| Trade and other payables | (9,327) | - | (9,327) |
| Loans and borrowings | (20,195) | - | (20,195) |
| | <u>(29,522)</u> | <u>-</u> | <u>(29,522)</u> |
| Company | | | |
| Trade and other payables | <u>(29)</u> | <u>-</u> | <u>(29)</u> |

Excluding deposit relating to the acquisition of property, plant and equipment of RM975,000.

22.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Net (losses)/gains arising on: | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| - Designated upon initial recognition | 129 | - | 124 | - |
| Financial assets at amortised cost | 31 | 48 | 33 | - |
| Financial liabilities at amortised cost | (939) | (1,000) | - | - |
| | <u>(779)</u> | <u>(952)</u> | <u>157</u> | <u>-</u> |

22. Financial instruments (continued)

22.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

The Group does not separate its trade receivables by segment. The Group does not have any major concentration of credit risk related to any individual debtor or counterparty.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss

All financial assets measured at amortised cost are first assessed for credit impaired trade receivables.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions to recover long overdue balances.

Default rates are critically evaluated based on the expectations of the responsible management team regarding the collectability of the trade receivables.

The trade receivables were deemed to have low risk of default.

The following table provides information about the exposure to credit risk for trade receivables which are grouped together as they are expected to have similar risk nature.

| | Gross carrying amount RM'000 | Loss allowance RM'000 | Net balance RM'000 |
|-----------------------------|---|--------------------------------------|-----------------------------------|
| Group | | | |
| 2020 | | | |
| Current (not past due) | 468 | - | 468 |
| 1 – 30 days past due | 30 | - | 30 |
| 31 – 120 days past due | 37 | - | 37 |
| More than 120 days past due | 6 | - | 6 |
| | <u>541</u> | <u>-</u> | <u>541</u> |
| 2019 | | | |
| Current (not past due) | 485 | - | 485 |
| 1 – 30 days past due | 20 | - | 20 |
| 31 – 120 days past due | 9 | - | 9 |
| More than 120 days past due | 4 | - | 4 |
| | <u>518</u> | <u>-</u> | <u>518</u> |

Trade receivables that are past due have not been impaired as payments have been substantially received from these debtors subsequent to period end.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Other receivables

Risk management objectives, policies and processes for managing the risk

Credit risks on other receivables are mainly arising from deposits paid for office buildings rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses as the Group is of the view that the loss allowance is not material and hence, it is not provided for.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The cash and cash equivalents are held with banks and financial institutions. The Group and the Company monitor the credit ratings of these banks and financial institutions on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the Group's and the Company's statements of financial position.

Recognition and measurement of impairment loss

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Inter-company advances (continued)

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers subsidiaries' advances to be credit impaired when:

- The subsidiaries are unlikely to repay their advances to the Company in full;
- The subsidiaries' advances are overdue for more than 365 days; or
- The subsidiaries are continuously loss making and are having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk for the subsidiary's advances.

| | Gross carrying amount RM'000 | Impairment loss allowance RM'000 | Net balance RM'000 |
|-----------------|---------------------------------------|---|--------------------------|
| Company | | | |
| 2020 | | | |
| Low credit risk | 4,171 | - | 4,171 |

As at the end of the reporting period, the Company did not recognise any allowance for impairment losses as the Company is of the view that the loss allowance is not material and hence, it is not provided for.

22.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings and lease liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Within 1 year RM'000 | 1 – 5 years RM'000 | More than 5 years RM'000 |
|------------------------------|------------------------------|-----------------------------------|-------------------------------------|----------------------------|--------------------------|--------------------------------|
| Group | | | | | | |
| 2020 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | 5,785 | - | 5,785 | 5,785 | - | - |
| Term loans | 8,832 | 3.37 | 11,249 | 768 | 3,839 | 6,642 |
| Hire purchase liabilities | 8,823 | 2.30 – 3.76 | 9,637 | 3,383 | 6,254 | - |
| Lease liabilities | 8,758 | 5.72 – 6.50 | 10,509 | 2,170 | 5,826 | 2,513 |
| | <u>32,198</u> | | <u>37,180</u> | <u>12,106</u> | <u>15,919</u> | <u>9,155</u> |
| 2019 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | 9,327 | - | 9,327 | 9,327 | - | - |
| Term loans | 12,423 | 4.02 - 4.12 | 17,374 | 1,046 | 4,183 | 12,145 |
| Hire purchase liabilities | 5,976 | 2.30 - 3.76 | 6,623 | 2,067 | 4,556 | - |
| Lease liabilities | 8,608 | 6.50 | 10,533 | 2,176 | 5,450 | 2,907 |
| Bank overdraft | 1,796 | 7.70 | 1,796 | 1,796 | - | - |
| | <u>38,130</u> | | <u>45,653</u> | <u>16,412</u> | <u>14,189</u> | <u>15,052</u> |

| |
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|---|

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis (continued)

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Within 1 year RM'000 | 1 – 5 years RM'000 | More than 5 years RM'000 |
|------------------------------|------------------------------|-----------------------------------|-------------------------------------|----------------------------|--------------------------|--------------------------------|
| Company | | | | | | |
| 2020 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | <u>(50)</u> | - | <u>(50)</u> | <u>(50)</u> | - | - |
| 2019 | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables | <u>(29)</u> | - | <u>(29)</u> | <u>(29)</u> | - | - |

22. Financial instruments (continued)

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

22.6.1 Currency risk

The Group and the Company are not exposed to any significant foreign currency risks.

22.6.2 Interest rate risk

The Group's primary interest rate risks relate to deposits placed with a licensed bank, term loans, bank overdraft, hire purchase liabilities and lease liabilities.

The Group's deposits placed with a licensed bank, hire purchase liabilities and lease liabilities are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate term loans and bank overdraft are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Fixed rate instruments | | | | | |
| Financial assets | | | | | |
| - Deposits placed with a licensed bank | 10 | 1,071 | 1,049 | - | - |
| Financial liabilities | | | | | |
| - Hire purchase liabilities | 12 | (8,823) | (5,976) | - | - |
| - Lease liabilities | | (8,758) | (8,608) | - | - |
| | | (17,581) | (14,584) | - | - |
| | | (16,510) | (13,535) | - | - |

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

Exposure to interest rate risk (continued)

| | Note | Group | | Company | |
|----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Floating rate instruments | | | | | |
| Financial assets | | | | | |
| - Advances to subsidiaries | 7 | - | - | 4,138 | - |
| Financial liabilities | | | | | |
| - Term loans | 12 | (8,832) | (12,423) | - | - |
| - Bank overdraft | 12 | - | (1,796) | - | - |
| | | (8,832) | (14,219) | - | - |
| | | (8,832) | (14,219) | 4,138 | - |

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

| | Profit or loss | |
|---------------------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Group | | |
| Floating rate instruments | 67 | 108 |
| Company | | |
| Floating rate instruments | (31) | - |

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

22. Financial instruments (continued)

22.7 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 carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value RM'000 | Carrying amount RM'000 |
|--------------------------------|---|---------|---------|--------|---|---------|----------|----------|----------------------------|---------------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| Group | | | | | | | | | | |
| 2020 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Investment in financial assets | 15,129 | - | - | 15,129 | - | - | - | - | 15,129 | 15,129 |
| Financial liabilities | | | | | | | | | | |
| Hire purchase liabilities | - | - | - | - | - | - | (9,147) | (9,147) | (9,147) | (8,823) |
| Term loans | - | - | - | - | - | - | (9,377) | (9,377) | (9,377) | (8,832) |
| | - | - | - | - | - | - | (18,524) | (18,524) | (18,524) | (17,655) |
| 2019 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Hire purchase liabilities | - | - | - | - | - | - | (5,628) | (5,628) | (5,628) | (5,976) |
| Term loans | - | - | - | - | - | - | (13,816) | (13,816) | (13,816) | (12,423) |
| | - | - | - | - | - | - | (19,444) | (19,444) | (19,444) | (18,399) |

| |
|---|
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|---|

22. Financial instruments (continued)

22.7 Fair value information (continued)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|--------------------------------|---|----------|----------|---------------|---|----------|--------------|--------------|------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| Company | | | | | | | | | | |
| 2020 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Investment in financial assets | 15,124 | - | - | 15,124 | - | - | - | - | 15,124 | 15,124 |
| Advances to subsidiaries | - | - | - | - | - | - | 4,138 | 4,138 | 4,138 | 4,138 |
| | <u>15,124</u> | <u>-</u> | <u>-</u> | <u>15,124</u> | <u>-</u> | <u>-</u> | <u>4,138</u> | <u>4,138</u> | <u>19,262</u> | <u>19,262</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.

22. Financial instruments (continued)

22.7 Fair value information (continued)

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.

Financial instruments not carried at fair value

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

23. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

The debt-to-equity ratios at 31 December 2020 and at 31 December 2019 were as follows:

| | Note | Group | |
|--------------------------------------|------|----------------|----------------|
| | | 2020 RM'000 | 2019 RM'000 |
| Total borrowings | 12 | 17,655 | 20,195 |
| Lease liabilities | | 8,758 | 8,608 |
| Less: Cash and cash equivalents | 10 | (10,914) | (8,519) |
| Less: Investment in financial assets | 9 | (15,129) | - |
| Net debt | | <u>370</u> | <u>20,284</u> |
| Total equity | | 50,221 | 24,237 |
| Debt-to-equity ratio | | 0.01 | 0.84 |

There is no changes in the Group's approach to capital management during the financial year.

24. Capital and other commitments

| | Group | |
|--|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 |
| Capital expenditure commitments | | |
| Property, plant and equipment | | |
| <i>Authorised and contracted for</i> | <u>4,063</u> | <u>5,644</u> |

25. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company 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 or the Company 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 a Director, companies in which a Director has financial interest, subsidiaries and key management personnel.

Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Transactions | | | | |
| A. A Director | | | | |
| Lease payments | 264 | 263 | - | - |
| Sales of inventories | (49) | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| B. Companies in which a Director has financial interest | | | | |
| Casual wages | - | 25 | - | - |
| Lease payments | 534 | 433 | - | - |
| Purchases of inventories | 23 | 5 | - | - |
| Short-term lease expense | - | 34 | - | - |
| Sales of inventories | (19) | (3) | - | - |
| Service fees receivable | (23) | (201) | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| C. Subsidiaries | | | | |
| Advances provided | - | - | (5,286) | - |
| Finance income | - | - | (33) | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

25. Related parties (continued)

Significant related party transactions (continued)

These transactions have been entered into the normal course of business and have been established under negotiated terms. The gross balances outstanding for related parties are disclosed in Note 7 and Note 13 to the financial statements, other than lease liabilities balances as disclosed below.

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| D. Key management personnel | | | | |
| Directors | | | | |
| Fees | 218 | - | 218 | - |
| Remuneration | 506 | 1,486 | 12 | - |
| | <u>724</u> | <u>1,486</u> | <u>230</u> | <u>-</u> |
| Other key management personnel | | | | |
| Fees | 24 | 47 | - | - |
| Remuneration | 5,995 | 6,083 | - | - |
| | <u>6,019</u> | <u>6,130</u> | <u>-</u> | <u>-</u> |

Other key management personnel comprise persons other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Balances | | | | |
| A. A Director | | | | |
| Lease liabilities | <u>1,588</u> | <u>1,186</u> | <u>-</u> | <u>-</u> |
| B. Companies in which a Director has financial interest | | | | |
| Lease liabilities | <u>2,426</u> | <u>2,231</u> | <u>-</u> | <u>-</u> |

26. Restructuring exercise

In conjunction with, and as integral part of the listing of the Company's shares on the ACE Market of Bursa Malaysia Securities Berhad, the Company has undertaken the following restructuring exercise:

Acquisition of shares in respect of Optimax Eye Specialist Centre Sdn. Bhd. ("OESC")

On 8 January 2020, the Company entered into Share Sale Agreement 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. The acquisition was completed on 15 June 2020.

The following summarises the recognised amounts of assets acquired and liabilities assumed.

| | Group RM'000 |
|---|-------------------------|
| Identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 36,658 |
| Right-of-use assets | 8,758 |
| Deferred tax assets | 351 |
| Inventories | 1,862 |
| Trade and other receivables | 1,387 |
| Prepayments | 884 |
| Current tax assets | 755 |
| Cash and cash equivalents | 5,534 |
| Deferred tax liabilities | (811) |
| Loans and borrowings | (18,665) |
| Lease liabilities | (7,117) |
| Trade and other payables | (7,593) |
| Current tax liabilities | (5) |
| Total identifiable net assets | <u>21,998</u> |

For the purpose of accounting for the restructuring exercise, the Group has applied book value accounting on the basis that the restructuring exercise does not constitute a business combination to which acquisition accounting can be applied. Under book value accounting, the difference between cost of investment recorded by the Company and the share capital of OESC is accounted for as restructuring reserve as follows:

| | |
|---|----------------|
| | RM'000 |
| New shares issued by the Company as consideration for the acquisition of OESC | 19,500 |
| Reversal of issued and paid-up share capital of OESC | <u>(2,700)</u> |
| Restructuring reserve | <u>16,800</u> |

27. Changes in ownership interests in a subsidiary

Financial year ended 31 December 2019

On 30 September 2019, the Group acquired the remaining interest in OESC Kuching for RM90,000 in cash, increasing its ownership from 70% to 100%. The carrying amount of OESC Kuching's net assets in the Group's financial statements on the date of the acquisition was RM409,333. The Group recognised a decrease in non-controlling interests of RM122,800 and an increase in retained earnings of RM32,800. This resulted in a net cash outflow of RM90,000.

28. Significant events

In conjunction with, and as an integral part of the listing of the Company's shares on the ACE Market of Bursa Malaysia Securities Berhad, the following listing scheme was undertaken by the Company:

28.1 Restructuring exercise

On 8 January 2020, the Company entered into Share Sale Agreement 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.

Details of the restructuring exercise is disclosed in Note 26.

28.2 Initial Public Offering

The Initial Public Offering comprised the Public Issue of 70,000,000 new ordinary shares by the Company at RM0.30 per ordinary share allocated in the following manner:

- (i) 13,500,000 new shares available for application by the Malaysian Public;
- (ii) 4,000,000 new shares available for application by the eligible directors and employees under the pink form allocations;
- (iii) 27,000,000 new shares by way of private placement to identified Bumiputera investors approved by Ministry of International Trade and Industry, Malaysia; and
- (iv) 25,500,000 new shares by way of private placement to selected investors.

Listing on Bursa Malaysia Securities Berhad

The Company's entire enlarged issued and paid-up share capital of RM39,071,000 comprising 270,000,000 ordinary shares were listed on the ACE Market of Bursa Malaysia Securities Berhad on 18 August 2020.

29. Subsequent events

- (i) On 18 February 2021, the Group incorporated an indirect subsidiary, Optimax Eye Specialist Centre (Bahau) Sdn. Bhd. ("OESC Bahau"), which is 100% owned by OESC Southern, a 70% held subsidiary of the Group. The share capital of OESC Bahau is RM2.
- (ii) On 30 March 2021, the Group incorporated an indirect subsidiary, Optimax International Sdn. Bhd. ("Optimax International"), which is 90% owned by OESC, a wholly-owned subsidiary of the Company. The share capital of Optimax International is RM100.

Optimax Holdings Berhad

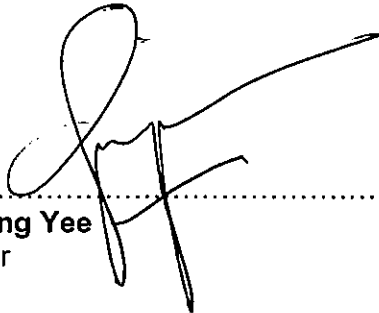
Registration No: 201801028697 (1290723-T)

(Incorporated in Malaysia)

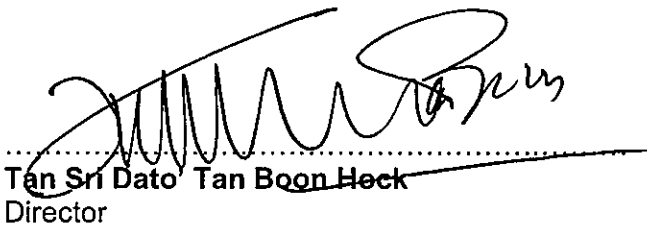
and its subsidiaries**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 7 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Tan Sing Yee
Director



.....
Tan Sri Dato' Tan Boon Heck
Director

Kuala Lumpur

Date: 28 April 2021

Optimax Holdings Berhad

Registration No: 201801028697 (1290723-T)

(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

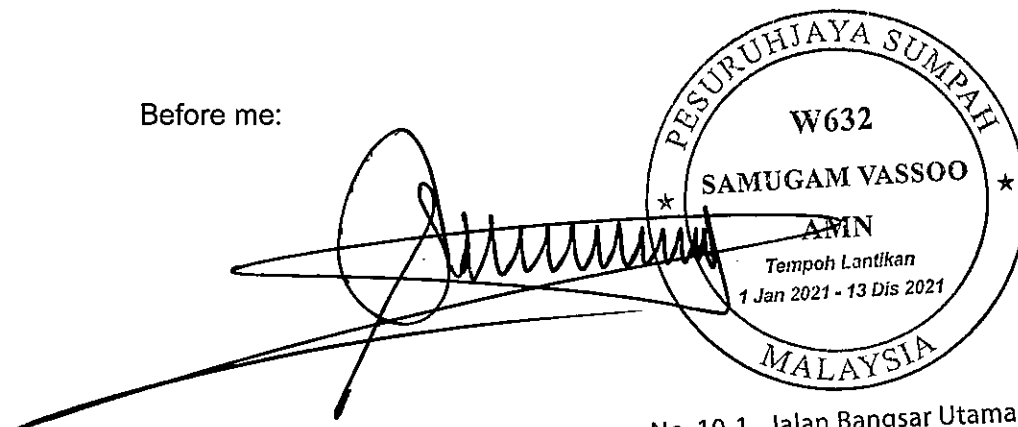
I, **Tan Sing Chia**, the officer primarily responsible for the financial management of Optimax Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 80 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Tan Sing Chia**,
NRIC: 880814-43-5280, at Kuala Lumpur in the Federal Territory on 28 April 2021.



.....
Tan Sing Chia

Before me:



No. 10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OPTIMAX HOLDINGS BERHAD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Optimax Holdings Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 80.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Revenue recognition | |
|--|---|
| Refer to Note 2(l)(i) – Significant accounting policy: Revenue and Note 14 – Revenue. | |
| The key audit matter | How the matter was addressed in our audit |
| <p>The Group's revenue is derived from the provision of medical services and sales of medicine and others. The Group generally recognises revenue when the medical services are provided and controls of the medicine and others are transferred to the customers.</p> <p>We identified the recognition of revenue, specifically on revenue recognised during the period end as a key audit matter due to risk that revenue maybe overstated arising from pressure faced by the Group in achieving performance targets as revenue recognition has a direct impact on the results of the Group.</p> | <p>Our audit procedures, among others, included the following:</p> <ul style="list-style-type: none"> • We tested the design and implementation as well as operating effectiveness of the Group's controls relevant to recognition of revenue; • We compared, on a sample basis, sales transactions recorded before and after the financial year end date with supporting documents including customers' appointment records and cash receipts subsequent to the financial year end to assess whether the revenue has been recognised in the appropriate financial year; • We tested trade receivables balances as at financial year end, on a sample basis, to supporting documents including customers' appointment records and cash receipts subsequent to the financial year end; • We identified the journal entries posted subsequent to financial year end which relates to the reversal of revenue, enquired the reasons for such entries and compared the details of the entries with supporting documents including sales invoices and credit notes; • We inspected the manual journal entries raised during the financial year relating to revenue, which were outside the normal course of business and enquired the reasons for such entries and compared the details of the entries with supporting documentation. |

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.



Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, Chairman's Statement, Management Discussion and Analysis, Sustainability Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.



**Auditors' Responsibilities for the Audit of the Financial Statements
(continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2021 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 28 April 2021