9. RISK FACTORS

IN EVALUATING AN INVESTMENT OF OUR IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING BUT NOT LIMITED TO THE FOLLOWING INVESTMENT CONSIDERATIONS AND RISKS.

9.1 RISKS AFFECTING OUR BUSINESS AND OPERATIONS

9.1.1 Our operations are reliant on certain approvals, licences, permits and certificates

Our operations are reliant on certain approvals, licences, permits and certificates which includes licences and certificates granted by the MOH to us and registrations with MOH which our doctors are required to maintain to operate and provide eye specialist services under our specialist hospital, ambulatory care centres and specialist clinics and the validity of some of these approvals, licences, permits and certificates are subject to periodical renewal. The list of all our major approvals, licences, permits and certificates obtained for our business operations is set out in Annexure A of this Prospectus.

We are primarily involved in the provision of eye specialist services that are bound by federal, state and local laws and rules and regulations set by government bodies related to health and optical, such as the MOH. In general, laws and regulations applicable to the medical industry have become more stringent with penalties and potential liabilities increasing over the years. These laws, regulations and obligations could change with the promulgation of new laws and regulations or a change in the interpretation of existing laws and regulations, which could result in substantially similar risks. There is no guarantee that our operations and business will not be affected by future regulatory and legal changes including:

(i) introduction of new laws, regulations and policies by the authorities;

(ii) implementation or changes to current laws, regulations and policies; and/or

(iii) imposition of additional conditions to our existing approvals, licences, permits and certificates.

In the event we are unable to comply with the rules and regulations issued by the governing authorities, such as the MOH, the approvals, licences, permits and certificates required for our operations and business may be revoked, suspended or not renewed. Similarly, any breach of these rules and regulations (whether due to our past actions/activities/operations or future actions/activities/operations) can result in penalties, fines, potential criminal prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities. Such revocation, suspension and/or non-renewal of our approvals, licences, permits and certificates will affect our ability to continue our operations and business and hence affect and reduce our profitability.

There can also be no assurance that future applications by our Group for renewals of approvals, licences, permits and certificates will be approved, particularly when there are changes to the present rules, regulations, policies and guidelines by the government or regulatory bodies. If we are unable to obtain or renew the approvals, licences, permits and certificates required for our operations following the Listing, we may be forced to suspend or cease our operations on our specialist hospital, ambulatory care centres and specialist clinics altogether and our operations would be adversely affected.

Furthermore, while our Group has not in the past encountered any difficulties in renewing approvals, licences, permits and certificates, the renewal of our licences, permits and certificates depends on our Group's compliance with the relevant regulations, which is at times contingent on the review, inspection and assessment and continuously evolving practices and requirements of the relevant authorities. In addition, there may be delays in processing the licences, permits and certificates if these requirements are not fulfilled accordingly in a timely manner. For example, we are currently in the midst of renovating our eye specialist centres in Seremban and will need to apply for the relevant approvals, licences, permits and certificates to operate this centre as an ambulatory care centre after completion of the renovations.

As at the LPD, the renovations for our specialist centre in Seremban are on-going and we anticipate that they will be completed within the third quarter of 2020 so as to meet our targeted operations as an ambulatory care centre within the fourth quarter of 2020. Current MOH procedures prescribe that upon the completion of renovation works, the centres are subject to physical inspection by representatives of the MOH for the purposes of obtaining the requisite licences to operate such specialist centres as an ambulatory care centre. While our management is accustomed to such inspections and familiar with the current practices and requirements of the relevant authorities, there can be no assurance that in view of the need to arrange for physical inspections and the continuously evolving practices and requirements of the relevant authorities, such licences can be obtained within the periods that we anticipate or plan for. Notwithstanding that, we believe that any delay or failure in converting our existing eye specialist centre in Seremban into an ambulatory care centre will not materially disrupt our business operations and financial performance as patients who require surgeries at such branches will be directed to other eye specialist centres which have obtained ambulatory care centre licences and are located in the Central region.

9.1.2 Our growth and success depend on our Directors, Key Senior Management and our ophthalmologists

Our growth and success of our business is, to a significant extent, dependent on, the abilities, skills, experience and expertise of our Directors, Key Senior Management and ophthalmologists.

Our Group is led by our Executive Director and Chief Executive Officer, Sandy Tan, who has approximately eight years of experience in eye specialist services operations, with particular focus on sales and marketing. She is assisted by our Key Senior Management who have knowledge and experience in, among others, the healthcare sector. Having a team of experienced skilled personnel and ophthalmologists is critical in maintaining the quality of our services and our relationship with our customers, as we operate in the health industry focusing on eye specialist services, which require trained and experienced ophthalmologists.

Dato' Tan Boon Hock, our Promoter and Substantial Shareholder, who has been a director of our subsidiary, OESC, since 1995 has been instrumental in the growth of our Group to-date and played a leading role in the formulation of the business direction and strategies of our Group. Dato' Tan has approximately 25 years of operational management experience in the eye specialist industry. Going forward, he will continue to provide business and management guidance to the Board and our Key Senior Management in his capacity as our Non-Independent Non-Executive Director.

We believe that we are one of the established private eye specialist providers in Malaysia, and that our reputation, brand names and trademarks are recognised by our customers. Patients also seek our services on account of the reputation of our eye surgeons. As we are one of the private eye specialist providers which treats patients, market awareness of our brand is, to a certain extent, built on and intertwined with the reputation of our ophthalmologists and driven by the quality of the eye specialist services. To maintain the goodwill of our brand name, we ensure that our eye specialist doctors regularly attend trainings and conferences to keep up to date with the latest developments in medical technology and we have in place various quality management processes and controls, so as to ensure the quality and consistency of the services and services provided by our centres.

We believe that our future success is dependent upon the continued service of our Directors and the Key Senior Management, in particular the skilled personnel and ophthalmologist. Members of our Key Senior Management who are also ophthalmologists are Dr. Stephen Chung (our Senior Medical Director), Dr. Chuah Kay Leong (our Senior Medical Director) and Dr. Lam Hee Hong (our Medical Director (Southern)); as such, there may be an increased dependency on these personnel. Further, our ophthalmologists may have established their respective patient bases, if any of them are no longer with our Group, their respective patient bases may choose specialist eye services elsewhere. The loss of our Directors and any of our Key Senior Management in particular the skilled personnel and ophthalmologist without suitable and timely replacement, or the inability to attract, hire and retain suitable candidates for key management personnel positions may adversely affect our continued ability to compete with other industry players and implement our business strategies, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Please refer to Section 5 of this Prospectus for profiles of our Directors and Key Senior Management.

9.1.3 We are subject to risks of medical and legal claims, regulatory actions and professional liability arising from the provision of our eye specialist services and business operations and our insurance coverage and indemnities may not be adequate to cover all risks and losses associated with our business operations

As a provider of eye specialist services and related products and services, we face the risk of exposure to malpractice, medical or negligence claims on account of alleged misconduct or deficiencies in the services provided by us. We may not be able to avoid malpractice, medical negligence or misconduct exposure, including on account of error by our personnel, machine or equipment error, or the lack of pre-operative advice or post-operative care for patients.

We cannot assure you that we or any of our ophthalmologists will not encounter malpractice, medical negligence or misconduct claims in the future. These claims may be brought against us or any of our ophthalmologists by way of legal proceedings or lodging of formal complaints with the relevant licensing regulatory bodies, such as the MOH. In any of these cases, we may be required to pay monetary compensation or damages or the qualifications or registrations of our ophthalmologists may be suspended or revoked or otherwise they may be subject to other disciplinary action.

Two medical negligence claims were filed against OESC and one of our doctors in 2012, where the patients involved claimed among others that OESC was negligent in providing proper trained staff and our attending doctor (who was the attending doctor for both cases) was negligent in performing cataract eye surgery. The parties subsequently entered into a consent judgement with us on a without admission of liability basis, and OESC paid ex-gratia compensation of RM210,000 in the aggregate to these patients as full and final settlement of such claims in 2017. The payment of ex-gratia compensation does not have a material impact on our business and financial condition for the relevant financial period. The involved doctor is no longer with OESC and we have subsequently established and implemented a more comprehensive set of standard operating procedures to be adopted by the ophthalmologists within our Group to achieve efficiency and to ensure the continued quality of services provided.

Our ophthalmologists are required to maintain their own individual medical indemnity insurance and we also maintain malpractice liability policies for the sum insured of RM5,000,000 to protect against various losses and liabilities arising from medical malpractice. We have obtained indemnity from each of our ophthalmologists against any and all losses, damages and liabilities incurred or suffered by our Group or that may arise from any negligence, demands, actions, claims, lawsuits or proceedings that are threatened or pending against our Group arising from medical negligence of our ophthalmologists. In addition, we have maintained general insurance policies, including fire insurance policies and machinery and equipment policies with coverage against, amongst others, risk of damage to or loss of our specialist hospital, ambulatory care centres, specialist clinics, machinery and equipment.

However, we cannot assure you that such insurance coverage or indemnity arrangements will be sufficient to cover every possible incident, potential liabilities (including losses or damages which we may incur in the course of our business operations) and risks that we face. In the event that the amount of any claims by third parties against us exceed the coverage of general insurance policies which we have taken up, we may be liable for whatever shortfalls in the amounts claimed. If we were to incur a significant liability for which we are not fully insured, our business, financial condition, results of operations and prospects could be adversely affected.

In addition, our insurance policies may contain deductibles, limitations and exclusions which may increase our costs in the event of a claim. We may also be subject to additional calls, or premium payments, in amounts based not only on our own claim records but also the claims records of other members of the protection and indemnity associations through which we obtain indemnity insurance coverage.

In ensuring that such risks are kept to a minimum level, we review the adequacy of coverage for our assets and employees periodically. However, there can be no assurance that our insurance coverage will be adequate to compensate all costs and consequential losses arising from insurance claims against us. Further, any legal proceedings and/or claims could require us to commit our time and resources as defending our position in legal proceedings and/or claims may be costly, which could have a significant impact on our business and financial condition.

Notwithstanding the insurance coverage or indemnity arrangements we have in place, given the nature of our business, any assertion of malpractice or medical negligence claims on account of alleged misconduct or deficiencies or our involvement in legal proceedings or sanctions or penalties issued by regulatory bodies or any other change resulting in unfavourable perception by our customers or any adverse publicity or our failure to ensure that our services and facilities meet the expectations of our patients in the midst of a competitive and ever-evolving market is likely to affect our reputation and brand equity and reduce customers' confidence in our eye specialist and care services, which may result in loss of patients, reduced patronage to our outlets and decreased revenue. This will in turn materially and adversely affect our operating results and business and financial prospects and condition.

Based on information published on the public website of the Malaysian Medical Council, in the last 10 years up to the LPD, there are no sanctions or disciplinary punishments which have been imposed or taken by the Malaysian Medical Council against any of the doctors currently employed as at LPD by the Optimax Group.

9.1.4 There can be no assurance that there would be no unauthorised use of our brand name and trademarks

In view of the goodwill associated with our brand name, unauthorised use of our brand name may adversely affect our business. As such, as at the LPD, we have registered trademarks for certain brand name and logos used in the course of our provision of services, further details of which are set out in Section 7.18 of this Prospectus, so as to prevent third parties from using trademarks similar to ours in jurisdictions in which our trademarks have been registered. Nevertheless, there can be no assurance that there will be no unauthorised third party copying, using or exploiting our trademarks.

The "Optimax" marks registered in Malaysia as described in Section 7.18 of this Prospectus ("**Optimax Trademarks**") were acquired by Dato' Tan Boon Hock from Optimax International Limited on 29 October 2010. Dato' Tan Boon Hock had on 10 October 2018, 10 September 2019 and 10 December 2019 assigned the Optimax Trademarks to OESC. Optimax International Limited also granted a perpetual right to Dato' Tan Boon Hock and OESC to use, amongst others, the "Optimax" trademark, confined strictly to South East Asia and in relation to specialist hospitals or eye hospitals/centres with effect from 29 October 2010. Subsequently, Dato' Tan Boon Hock agreed to relinquish and give up all his rights and interest in the "Optimax" trademark and Optimax International Limited had on 26 June 2020 acknowledged and agreed that OESC is the sole and exclusive party entitled to the use of the Optimax Rights.

Notwithstanding the contractual right granted by Optimax International Limited to OESC to use the "Optimax" trademark for the purposes of specialist hospitals or eye specialist hospital/centres in South East Asia as described above, we have only proceeded to register our trademarks in Malaysia at this juncture. As such, there is a risk that any third party may register the "Optimax" trademark before us in South East Asia countries outside Malaysia. If any third party uses our trademarks, or registers identical trademarks in jurisdictions other than Malaysia, this may threaten our reputation, brands and product quality and result in an adverse impact on our business and financial performance. Likewise, unauthorised use of our brand name, logo and trademarks may harm our reputation, and if any of our trademarks is infringed, challenged or revoked, our business, prospects and financial performance may be materially and adversely affected.

9.1.5 Our future profit and profit margins may be adversely affected

Our PBT margin during FYE 2016, FYE 2017, FYE 2018 and FYE 2019 were 15.55%, 26.61%, 15.84% and 20.08%, respectively. For further details on the PBT margin trend of our Group, please refer to Section 12.2.4.12 of this Prospectus.

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Our future profit and profit margins may be adversely affected with the setting up of new ambulatory care centres due to renovation costs, increased operating expenses, increased depreciation costs with new machinery and time taken to commence operations in the new ambulatory care centres. As set out in Section 9.1.1 of this Prospectus, we are providers of eye specialist services, whereby our operations and the buildings used by us as specialist hospital, ambulatory care centres and specialist clinics are regulated by MOH. Additional costs may be incurred by us for (1) obtaining all necessary approvals, licences, permits and certificates and (2) upgrading the premises use for our business operation such that the design, structure and/or layout complies with the requirements and standards pertaining to facilities, services and quality imposed by MOH, which could change with the promulgation of new laws and regulations.

Further, such new centres could require an initial gestation period before they can contribute positively to the Group's profits going forward. Nonetheless, the Group seeks to limit the risk of such expansion with careful research and planning of such new centres to ensure that the risk of expansion can be kept to a minimum.

In addition, our future profit and profit margins may be adversely affected due the MCO and COVID-19 outbreak. We did not perform refractive surgeries during the MCO Period and rescheduled such procedures until after the MCO is lifted. We had also generally advised our customers to reschedule non-urgent cataract treatments during the MCO Period. Several of our specialist centres were also temporarily closed as part of the preventive measures undertaken by our Group during the MCO Period. Accordingly, there was a significant decline in the number of refractive surgeries and cataract surgeries performed by our Group during this period. As a portion of our costs continue to accrue during this period, we envisage that our profit and profit margin will be negatively impacted particularly for the three-month financial period ended 30 June 2020. With the easing and relaxation of certain restrictions under the MCO and its extension under the CMCO and RMCO, we have seen a gradual recovery in the number of patients, including patients for refractive surgeries and cataract surgeries who were earlier advised to postpone their procedures until after the MCO. Nonetheless, there is no assurance that this gradual recovery in the number of patients for refractive surgeries and cataract surgeries is sufficient to negate the loss in revenue and profitability due to the MCO and COVID-19 outbreak.

Please refer to Section 9.1.9 of this Prospectus for the risk relating to the spread or outbreak of COVID-19 and Section 12.2.3 of this Prospectus for the significant factors affecting our financial condition and results of operations.

9.1.6 There is no assurance that our future plans and strategies will be successful

We intend to establish additional ambulatory care centres within Malaysia where we have no presence currently, including the conversion of our existing specialist clinics into ambulatory care centres described in Section 7.24 of this Prospectus. The breadth and complexity of our business operations may increase as a result of such expansion and we may also require significant funding to facilitate the expansion of our geographical locations. In the event that we do not have sufficient internally generated funds available and are unable to secure financing from financial institutions on desired terms, we may not be able to proceed with our expansion plans.

Any expansion plan also inevitably comes with the associated risk that we may not be able to achieve the desired profitability arising from such expansion. In the event where after exhausting all feasible marketing channels and after careful deliberation by the management of the Group that it is no longer feasible to sustain a particular specialist centre in a selected location, we may need to close or dispose of the affected specialist centre. Accordingly, this closure or disposal may result in our investment write-offs or losses or minimal returns for the Company.

The challenges and execution risks that we may encounter in relation to expansion may include failure to identify suitable and strategic locations or to recruit or retain a sufficient number of skilled and trained ophthalmologists required for such expansion.

As we may be opening our new specialist centres in locations in which we currently have limited or no presence, we may not possess the same level of familiarity with the customers' preference in those locations. In addition, we cannot assure you that we will be able to obtain the requisite approvals, licences, permits and certificates required for our business and operations in those new locations. Any failure by our Group to obtain the requisite approvals, licences, permits and certificates in a timely manner and any unforeseen difficulties arising from the new and unfamiliar locations could have a material adverse effect on our business prospects.

9.1.7 We are dependent on certain suppliers and may be affected by obsolescence or failures and other challenges related to our medical equipment

We are dependent on the following suppliers of surgical kits and supplies for the surgeries performed using the respective brand of equipment, including maintenance services, as some of these medical supplies are patented products and equipment maintenance and consumables are typically tied to the original equipment manufacturer:

(i) Carl Zeiss Sdn Bhd for the supplies of surgical kits, medical supplies and consumables including implantable lenses, as well as maintenance of ophthalmological equipment. We are dependent on this supplier as we utilise their machines and equipment to carry out some of our procedures, mainly for the laser vision correction procedures including SMILE® and Customised FemtoLASIK. These machines and equipment can only be used together with surgical kits and medical supplies supplied from Carl Zeiss Sdn Bhd.

(ii) DKSH Malaysia Sdn Bhd for the supplies of various brands of surgical kits and medical supplies such as Alcon, Allergan, Novartis, Pfizer, and Roche as DKSH Malaysia Sdn Bhd is the distributor of these brands in Malaysia.

As such, we may have lesser bargaining power as there may be fewer available alternatives and if the supply of products from Carl Zeiss Sdn Bhd and DKSH Malaysia Sdn Bhd are disrupted or cease or there are changes in our business relationship with them, this may affect our business operation, financial condition, results of business operations and prospects. We may incur additional cost, time and resources to seek alternative supply of sources on terms that are commercially acceptable to us.

Furthermore, our ophthalmological equipment used for cataract surgery, LASIK and retinal disease treatment needs to be upgraded from time to time as the technology advances. Such technological advances may make existing equipment obsolete. Replacement, upgrading or maintenance of ophthalmological equipment may involve significant costs. Further, due to the high costs and constant improvement of medical equipment technology, it is not customary for us to maintain back-up equipment, and if such equipment is damaged or out of order, our ability to provide the relevant services to our patients may be impaired and we may experience interruptions in our business.

Besides this, if we are unable to keep up with technology advances, our patients may turn to other medical facilities which have more advanced equipment and our competitive edge will be reduced, which may have a material adverse effect on our business, reputation, financial condition, results of business operations and prospects.

9.1.8 Risk of relocation may cause interruption to our business and operations

Risk of relocation may cause interruption to our business and operations. Our Group rents premises for the operations of our existing eye specialist centres, save for the specialist hospital held by OESC located in George Town, Penang and an ambulatory care centre located in Seri Petaling. We are also in the process of purchasing the Seremban Buildings, which will house our ambulatory care centre in Seremban. Part of the proceeds from the IPO has been earmarked for the acquisition of the Seremban Buildings (please refer to Section 4.5.1 of this Prospectus for further information on the Seremban Buildings). Upon the expiry of the existing tenancies, the landlords have the right to review and revise the terms and conditions of the tenancy agreements and therefore we face the possibility of not being able to renew the tenancies at all or on terms and conditions favourable to us. Further, the tenancies may, prior to the expiry of the tenancies, be subject to termination under their terms and conditions.

If we are required to relocate our existing centres in the event the tenancies of these centres are not renewed or are terminated, we may incur additional costs and our business and operations may suffer from interruptions due to the need for relocation and loss of prime locations. The details of the tenancies for each of our existing ambulatory care centres and specialist clinics are set out in Annexure B of this Prospectus.

9.1.9 Our business may be affected by the spread or outbreak of COVID-19 or any other contagious or virulent diseases

The spread or outbreak of COVID-19 or any contagious or virulent diseases may potentially affect our business operations. If any of the employees in our centres is infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down our centres for an uncertain period of time to contain the spread of such disease.

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

While we anticipate a negative impact to our revenue from refractive surgeries, we anticipate a lower impact to our revenue from treatment of eye diseases and disorders, in particular, cataract surgeries, as cataract is a medical condition in which the lens of the eye becomes progressively opaque, resulting in blurred vision. Based on our analysis of the number of surgeries that we completed in the first four months of 2020, we noted the following:

(a) In terms of refractive surgeries:

   (i) there was a decline of 6.67% in the number of refractive surgeries performed for February 2020 as compared to January 2020 (being the month before the outbreak of COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on 30 January 2020);

(ii) there was a significant decline of 67.21% in the number of refractive surgeries performed for March 2020 as compared to the average number of refractive surgeries performed for January and February 2020; and

(iii) there was a further decline of 88.00% in the number of refractive surgeries performed for April 2020 as compared to March 2020 as the entire month of April 2020 was impacted by the MCO.

The above decline in refractive surgeries performed was in line with the measures and precautions taken by us to safeguard and protect our customers and employees (including our doctors) where we generally did not perform refractive surgeries during the MCO Period and rescheduled such procedures until after the MCO is lifted. Several of our specialist centres were also temporarily closed as part of the preventive measures undertaken by our Group during the MCO Period. Please refer to the measures and precautions that we took during the MCO Period as set out in Section 7.13.1 of this Prospectus.

(b) In terms of cataract surgeries:

(i) there was an increase of 116.40% in the number of cataract surgeries performed for February 2020 as compared to January 2020, despite the declaration of COVID-19 as a Public Health Emergency of International Concern by the World Health Organization on 30 January 2020; and

(ii) there was only a decline of 3.68% in the number of cataract surgeries performed for March 2020 as compared to the average number of cataract surgeries per month for January and February 2020, despite the MCO Period commencing on 18 March 2020; and

(iii) there was a significant decline of 89.24% in the number of cataract surgeries performed for April 2020 as compared to March 2020 as the entire month of April 2020 was impacted by the MCO.

The above decline in cataract surgeries performed was also in line with the measures and precautions taken by us to safeguard and protect our customers and employees (including our doctors). We have generally advised our customers to reschedule non-urgent cataract treatments during the MCO Period. Several of our specialist centres were also temporarily closed as part of the preventive measures undertaken by our Group during the MCO Period. Please refer to the measures and precautions that we took during the MCO Period as set out in Section 7.13.1 of this Prospectus.

Although the above represents a limited period of review from January to April 2020 and it is difficult to conclusively extrapolate a trend from such a limited review period, the number of surgeries performed by our Group in the aforesaid period during which Malaysia has been affected by the COVID-19 outbreak and the MCO tends to indicate that our business was mainly affected by the MCO with less impact due to the COVID-19 outbreak, in particular the number of refractive surgeries and cataract surgeries, declined significantly during the MCO Period due to the deferment of surgeries as well as the temporary closure of several of our specialist centres as part of the preventive measures undertaken by our Group during the MCO Period.

However, with the easing and relaxation of certain restrictions under the MCO and its extension under the CMCO from 4 May 2020 to 9 June 2020, we have seen a gradual recovery in the number of patients, including patients for refractive surgeries and cataract surgeries who were earlier advised to postpone their procedures until after the MCO. In terms of number of surgeries, the number of refractive surgeries and cataract surgeries performed for May 2020 increased by 691.67% and 538.71%, respectively as compared to April 2020 (the large percentages are mainly due to the low base effect where we performed a low number of surgeries in April 2020 due to the MCO). The number of refractive surgeries and cataract surgeries performed for May 2020 declined by 68.80% and 33.78% as compared to the average number of refractive surgeries and cataract surgeries performed for January and February 2020, respectively.

The number of refractive surgeries and cataract surgeries performed from January 2020 to May 2020 is as set out below:

No. of surgeries performed	January 2020	February 2020	March 2020	April 2020	May 2020
Refractive surgeries	315	294	100	12	95
Cataract surgeries	189	409	288	31	198

In the event of an intensified outbreak of COVID-19, or the outbreak of any other contagious or virulent diseases in Malaysia, it may negatively impact the Malaysian economy and affect customer sentiments and spending patterns as well as tourism(1) in general where the government imposes travel restrictions into Malaysia. Accordingly, if customer sentiments and spending patterns remain soft, our business operations may be adversely affected as customers (including potential patients from overseas(1)) may defer or eventually cancel their treatments(2).

Note:
(1) We do not account for revenue based on customer nationality. However, based on our estimations, revenue from medical tourism is not material to our Group.
(2) As at the LPD, our customers have thus far deferred and not cancelled their procedures.

Further, if an outbreak of COVID-19 or any other contagious or virulent diseases occurs in any countries where our existing suppliers source their materials and products and any movement control order or lockdown or similar measures is implemented in these countries, we may potentially face difficulties in sourcing materials, products and equipment from our existing suppliers. Any disruption, shortage or delay in the supply of materials, products and equipment required for our operations due to quarantine of employees of the Group's suppliers or manufacturers and suspension of operations of the manufacturing plants may affect our business operations, financial condition, results of business operations and prospects. This may include a compression of our margins due to the higher cost of consumables (potentially due to the decrease in supply and higher logistics cost), or delay in the provision of our services (due to the delay in receipt of the consumables required for the provision of our eye specialist services including cataract lens, LASIK procedure packs and consumables used in eye checks, surgeries or treatments). Please refer to Section 9.1.7 of this Prospectus for further information on the risk arising from our dependency on certain suppliers. At this juncture, however, we have not experienced any difficulties in sourcing required materials, products and equipment from our existing suppliers.

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

9.2 RISKS AFFECTING THE INDUSTRY IN WHICH WE OPERATE

9.2.1 We face competition from other providers of private eye specialist services as well as public healthcare sector

We face competition among providers of eye specialist services and this includes eye specialist clinics, ambulatory care centres, private as well as public hospitals. Furthermore, some of these competitors such as private hospitals have longer operating history with stronger financial strength and resources compared to us. We compete based on factors including, among others, pricing of consultation as well as surgical procedures, availability of equipment and facilities, reputation, convenience based on location of the ambulatory care centre or hospital. Some of our competitors may price their services lower than ours and this would continue to exert competitive pressure on our pricing. Our continuing success would be dependent on our ability to compete effectivity against our peers.

If we are unable to compete in terms of pricing while meeting the satisfaction of our customers, there is a risk that we would lose our patients to our competitors. This would have a negative impact on our business operations and financial performance.

9.2.2 The demand for our refractive surgeries are dependent on consumer sentiments and consumer affluence

As refractive surgeries are optional or elective procedures for patients with refractive errors, it is regarded as a non-essential service. Patients can still choose to use eye glasses or contact lenses as a corrective alternative for refractive surgeries. The use of eye glasses or contact lenses is an affordable and presents less risks as compared to refractive surgery.

As a non-essential service, there is a risk that demand for refractive surgeries may be affected by external factors such as economic and social factors. During periods of economic downturn with poor consumer sentiments and tightening of consumer expenditure, the demand for our refractive surgeries may be negatively affected. This would impact on our business operations and financial performance.

9.2.3 The eye specialist industry operates within a highly regulated industry and any adverse Government policies may negatively affect our business operations

The eye specialist industry in Malaysia is highly regulated by the MOH. Among others, it regulates on the minimum requirements for operational facilities, maximum surgery and consultation fees as well as sales and marketing activities.

There is a risk that changes in regulations may negatively affect operators within the eye specialist industry. For example, changes in minimum requirements for facilities may require operators to undertake renovations and refurbishment of their facilities which may increase cost and affect operators' profitability. In addition, maximum surgery and consultation fees may not be revised to adequately and in a timely manner to take into consideration inflationary factors such as increases in salaries and wages, medical and surgical consumable items, as well as the need to maintain, upgrade or buy new equipment.

If we are unable to recruit new ophthalmologists or retain our existing ophthalmologists, our business operations and/or expansion plans would be negatively affected.

9.2.4 The growth of the eye specialist industry is dependent on the availability of ophthalmologists in Malaysia

There is a risk that the growth of the eye specialist industry may be constrained by insufficient registered ophthalmologists. This may in turn affect the growth prospects of some operators of eye specialist services. As at 22 June 2020, there were 626 ophthalmologists registered with the MOH. In addition, ophthalmologists are specialist medical practitioners that are required to undergo specialist training from recognised institutions and registered in the Malaysian National Specialist Register. The number of operators in the private eye specialist industry involved 49 private hospital operators and 42 private ambulatory care centre operators with 98 and 67 facilities respectively in Malaysia *(Source: IMR Report)*. This excludes public hospitals that also have their own eye specialist departments as one of their services.

9.2.5 The eye specialist industry is affected by changes in political, economic or social conditions

Any uncertainties in Malaysia or the global political and economic conditions, as well as Malaysia's social and regulatory environment may negatively affect operators within the eye specialist industry. Such uncertainties include, among others, economic downturn, fiscal and monetary policies, inflation, risks of war, terrorism and changes in interest rates and poor consumer sentiments. Negative changes in some of these political, economic or social conditions may adversely affect the demand for non-essential services including refractive surgeries or delay the demand for essential services such as cataract surgeries or discourage healthcare tourism to Malaysia.

9.3 RISKS AFFECTING OUR SHARES

9.3.1 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

(i) the Sole Underwriter's exercise of its rights under the Underwriting Agreement to discharge its obligations under such agreement;

(ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or

(iii) the revocation of the approvals from the relevant authorities for our Listing and/or admission to the Official List for whatever reason.

If any of the above events occurs, investors will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with subsection 243(2) of the CMSA. However, if our IPO Shares have already been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by way of cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with Section 116 or Section 117 of the CA 2016. Such a capital reduction exercise will require us to, among others, obtain a special resolution from our shareholders and the consent of our creditors (where applicable) and obtain confirmation by the High Court of Malaya in accordance with Section 116 of the CA 2016 or undertake a capital reduction exercise with the benefit of a supporting solvency statement in accordance with Section 117 of the CA 2016. Therefore, there is a risk that monies paid in respect of our IPO Shares may not be recovered in a timely manner.

9.3.2 No prior market for our Shares and it is uncertain whether a sustainable market will develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, whether such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares. The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares. These factors include:

(i) variation in our financial results and operations;

(ii) success or failure of our key management personnel in implementing business and growth strategies;

(iii) gain or loss of an important business relationship;

(iv) changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance, if applicable;

(v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(vi) changes in market valuations and share price of companies with similar businesses to our Group that may be listed on Bursa Securities, if any;

(vii) additions or departures of our key management personnel;

(viii) fluctuation in stock market prices and volume; or

(ix) involvement in litigation.

Therefore, there is a risk of whether the IPO Price will correspond to the price at which our Shares will trade on the ACE Market of Bursa Securities upon our Listing and also a risk that the market price of our Shares may decline below the IPO Price.

9.3.3 The interest of our Promoters who control our Company may not be aligned with the interest of our shareholders

Our Promoters will collectively hold 61.77% of our enlarged issued share capital upon Listing. As a result, they will collectively be able to have effective control over the business direction and management of our Company, including the election of directors, the timing and payment of dividends as well as having voting control and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by requirement of law and/or by the relevant guidelines or regulations. Therefore, there is a risk of whether the interests of our Promoters will be aligned with those of our other shareholders.

9.3.4 We cannot assure you that we will declare and distribute any amounts of dividends in the future

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiaries. Hence, our ability to declare and distribute future dividends is largely dependent on the performance of these subsidiaries.

In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to the following:

(i) our level of cash, gearing and return on equity and retained earnings;

(ii) our expected financial performance;

(iii) our projected levels of capital expenditure and other investment plans;

(iv) our working capital requirements; and

(v) any contractual restrictions and/or commitments.

Whilst we endeavour to make dividend payments, there is a risk of us not being able to pay any dividends in the future as a result of the factors stated above. Please refer to Section 12.4 of this Prospectus for further information on our dividend policy.

9.3.5 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risks to the market price of our Shares. Nevertheless, the profitability of our Company is not dependent on the performance of Bursa Securities as the business activities of our Company have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 10 Market Days after the close of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the factors highlighted in Section 9.3.2 of this Prospectus.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, a "**related party transaction**" is a transaction entered into by a listed corporation or its subsidiaries that involves the interest *(direct or indirect)* of a related party. A "**related party**" of a listed corporation is:

(i) a director, having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiaries or holding company or a chief executive of the listed corporation, its subsidiaries or holding company; or

(ii) a major shareholder including any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or its subsidiaries or holding company, having an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is:

   (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or

   (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

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10. RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions for the past three financial years up to the LPD

Save for the Seremban Buildings SPA and the Acquisition SSA and as disclosed below, there are no other existing and/or proposed related party transactions which have been entered into or are to be entered into by our Group which involves the interests, direct or indirect, of our Directors, Substantial Shareholders and/or persons connected with them, for the Period under Review up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(a)	OESC and Sena Letrik (M) Sdn Bhd ("**Sena Letrik**")	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (1)(a) – (1)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Payment of rental and goods and services tax by OESC (as tenant) to Sena Letrik (as landlord) for renting the 1st Floor of the Seri Petaling Building for January 2016 and February 2016 for use as office • This transaction has since ceased	**26,500** 0.85% of our Group's PAT	-	-	-	-
			• Payment of casual wages by OESC to Sena Letrik for sharing of receptionist, driver and cleaner services for 2 office premises • This transaction has since ceased	**38,034** 1.21% of our Group's PAT	**26,971** 0.37% of our Group's PAT	**25,444** 0.51% of our Group's PAT	**23,323** 0.27% of our Group's PAT	-
			• Payment of administrative fees (including bonuses) by Sena Letrik to OESC for provision of human resources services • This transaction has since ceased	**28,650** 0.91% of our Group's PAT	-	**18,616** 0.37% of our Group's PAT	-	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(b)	Sena Letrik and Inspirasi Alamjaya/ OESC Bandar Sunway/ OESC Seri Petaling/ OESC/ OESC Seremban/	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (1)(a) – (1)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Medical fees received from Sena Letrik for eye treatment services provided to employees of Sena Letrik group of companies by: • Inspirasi Alamjaya • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**60,887** 0.10% of our Group's revenue	**489**
			• OESC Bandar Sunway • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**46,493** 0.07% of our Group's revenue	-
			• OESC Seri Petaling • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**40,844** 0.07% of our Group's revenue	-
			• OESC • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**33,766** 0.05% of our Group's revenue	-
			• OESC Seremban • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**1,200** 0.002% of our Group's revenue	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(c)	OESC Southern and Sena Letrik	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (1)(a) – (1)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Purchase of motor vehicle by OESC Southern from Sena Letrik • This transaction was one-off	-	**80,000** 0.49% of our Group's NA	-	-	-

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10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(d)	OESC Seremban and Sena Letrik	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (1)(a) – (1)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Payment of casual wages by OESC Seremban to Sena Letrik for driver services • This transaction was one-off	-	-	-	**1,800** 0.02% of our Group's PAT	-

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10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(e)	OESC and Modal Saujana Sdn Bhd ("**Modal Saujana**")	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (2)(a) – (2)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Purchase consideration payable by OESC to Modal Saujana for the acquisition of the Seri Petaling Building pursuant to a sale and purchase agreement dated 19 December 2017 • This transaction was one-off	-	-	**5,300,000** 25.49% of our Group's NA	-	-
(f)	Modal Saujana and OESC/ OESC Seremban/ OESC Seri Petaling/ OESC Ipoh	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan	Payment of rental to Modal Saujana (as landlord) by the following parties for renting of the following premises: • OESC (as tenant) – No. 17, Jalan Bayu Tinggi 7, 41200 Klang, Selangor[18] for use as eye specialist centre and storage • This transaction is recurrent in nature and will subsist after Listing	**69,960** 2.23% of our Group's PAT	**69,960** 0.95% of our Group's PAT	**66,330** 1.33% of our Group's PAT	**68,500** 0.78% of our Group's PAT	**40,000**

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
		Refer to Note (2)(a) – (2)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• OESC (as tenant) – the Seri Petaling Building from March 2016 to June 2017 for use as eye specialist centre and office • This transaction has since ceased	**127,200** 4.06% of our Group's PAT	**76,320** 1.03% of our Group's PAT	-	-	-
			• OESC (as tenant) – the 1st and 2nd Floor of the Seri Petaling Building (from July 2017 to December 2018) for use as office • This transaction has since ceased	-	**28,620** 0.39% of our Group's PAT	**54,270** 1.09% of our Group's PAT	-	-
			• OESC Seremban (as tenant) – No. 141, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan for use as eye specialist centre • This transaction has since ceased	**69,960** 2.23% of our Group's PAT	**69,960** 0.95% of our Group's PAT	**67,650** 1.36% of our Group's PAT	**66,000** 0.76% of our Group's PAT	-
			• OESC Seremban (as tenant) – the Seremban Buildings(17) for use as eye specialist centre • This transaction is recurrent in nature and will subsist after the Listing but will cease upon completion of the Seremban Buildings SPA	-	-	-	**16,500** 0.19% of our Group's PAT	**82,500**

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
			• OESC Seri Petaling (as tenant) – the Ground Floor of the Seri Petaling Building (from December 2017 to December 2018) for use as eye specialist centre • This transaction has since ceased	-	**8,480** 0.11% of our Group's PAT	**98,400** 1.98% of our Group's PA	-	-
			• OESC Ipoh (as tenant) – No. 1, Jalan Dato' Khong Kam Tak, Off Jalan Tambun, 31400 Ipoh, Perak[18] • This transaction is recurrent in nature and will subsist after Listing	-	-	**123,000** 2.47% of our Group's PAT	**122,000** 1.40% of our Group's PAT	**60,000**
(g)	OESC and Top Compliment Sdn Bhd ("**Top Compliment**")	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (3)(a) – (3)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Payment of rental by OESC (as tenant) to Top Compliment (as landlord) for renting of – • 32A-2 and 32A-3, Jalan Radin Bagus 3, Seri Petaling, 57000 Kuala Lumpur for use as office • This transaction has since ceased	**75,000** 2.39% of our Group's PAT	-	-	-	-
			• 32A-3, Jalan Radin Bagus 3, Seri Petaling, 57000 Kuala Lumpur (from September 2016 to December 2019) for use as office • This transaction has since ceased	**32,000** 1.02% of our Group's PAT	**96,000** 1.30% of our Group's PAT	**96,000** 1.93% of our Group's PAT	**96,000** 1.10% of our Group's PAT	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(h)	OESC and Sena Diecasting Industries Sdn Bhd ("**Sena Diecasting Industries**")	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (4)(a) – (4)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Payment of secondment fees by OESC to Sena Diecasting Industries for seconding one staff of Sena Diecasting Industries to OESC from December 2017 to September 2018 • This transaction has since ceased	-	**2,333** 0.03% of our Group's PAT	**18,592** 0.37% of our Group's PAT	-	-

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10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(i)	OESC and Sena Project Management Sdn Bhd ("**Sena Project Management**")	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (5)(a) – (5)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Payment of administrative fees by Sena Project Management to OESC for sharing of human resources services provided by OESC to Sena Project Management • This transaction has since ceased	**8,625** 0.28% of our Group's PAT	**51,695** 0.70% of our Group's PAT	**22,762** 0.46% of our Group's PAT	-	-

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10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(j)	OESC and Sena Project Management	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (5)(a) – (5)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Rental of a motor vehicle by OESC from Sena Project Management for marketing events • This transaction was one-off	-	-	-	**2,000** 0.02% of our Group's PAT	-

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10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(k)	OESC Muar and Sena Traffic Systems Sdn Bhd ("**Sena Traffic Systems**")	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Sandy Tan Refer to Note (6)(a) – (6)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them	• Purchase of motor vehicle by OESC Muar from Sena Traffic Systems • This transaction was one-off	-	-	**318,000** 1.53% of our Group's NA	-	-

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10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(l)	OESC and Sena Traffic Systems	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Sandy Tan Refer to Note (6)(a) – (6)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them	• Medical fees received from Sena Traffic Systems provided to employees of Sena Traffic Systems • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**18,238** 0.03% of our Group's Revenue	**7,014**
(m)	Inspirasi Alamjaya and Tan Boon Hock Holdings Sdn Bhd ("**TBH Holdings**")/ Datin Lim Sho Hoo	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan	Payment of rental by Inspirasi Alamjaya (as tenant) to the following parties for renting of the following premises: • TBH Holdings (as landlord) – 55, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor[18] for use as eye specialist centre and storage • This transaction is recurrent in nature and will subsist after Listing	-	**32,000** 0.43% of our Group's PAT	**96,000** 1.93% of our Group's PAT	**96,000** 1.10% of our Group's PAT	**40,000**

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
		Refer to Note (7)(a) – (7)(c) and Note (8)(a) – (8)(d) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Datin Lim Sho Hoo (as landlord) – 53, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor[18] for use as eye specialist centre and storage • This transaction is recurrent in nature and will subsist after Listing	-	**32,000** 0.43% of our Group's PAT	**96,000** 1.93% of our Group's PAT	**96,000** 1.10% of our Group's PAT	**40,000**
(n)	Dato' Tan Boon Hock and Inspirasi Alamjaya/ OESC Southern/ OESC Kluang	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (9)(a) – (9)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	Payment of rental to Dato' Tan Boon Hock (as landlord) by the following parties for renting of the following premises: • Inspirasi Alamjaya (as tenant) – Akademic Suite #L9-10, Block A, Jalan Mount Austin, 81100 Johor Bahru, Johor[18] for use as staff accommodation • This transaction is recurrent in nature and will subsist after Listing	-	**8,000** 0.11% of our Group's PAT	**24,000** 0.48% of our Group's PAT	**22,400** 0.26% of our Group's PAT	**9,000**
			• OESC Southern (as tenant) – 19, Jalan Austin Heights 2/1, Taman Mount Austin, 81100 Johor Bahru, Johor from August 2017 to July 2019 for use as staff accommodation • This transaction has since ceased	-	**60,000** 0.81% of our Group's PAT	**144,000** 2.90% of our Group's PAT	**84,000** 0.96% of our Group's PAT	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
			• OESC Kluang (as tenant) – 19, Jalan Austin Heights 2/1, Taman Mount Austin, 81100 Johor Bahru, Johor[18] for use as staff accommodation • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**61,000** 0.70% of our Group's PAT	**61,000**
(o)	OESC and Dato' Tan Boon Hock	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (9)(a) – (9)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Assignments of the "Optimax" trademarks from Dato' Tan Boon Hock to OESC. Please refer to Section 7.18 of this Prospectus for further details. • These transactions were one-offs	-	-	**1** Negligible % of our Group's NA	**3** Negligible % of our Group's NA	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(p)	OESC and Sandy Tan/Michelle Tan	**Interested Director** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (9)(a), 9(c) and (9)(d) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Acquisition of 70,000 ordinary shares in OESC Ipoh by OESC from Sandy Tan • Acquisition of 30,000 ordinary shares in OESC Ipoh by OESC from Michelle Tan • This transaction was one-off	-	**100,000** 0.61% of our Group's NA	-	-	-
(q)	OESC and Dato' Tan Boon Hock and Sandy Tan	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (9)(a) – (9)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Acquisition of 2 ordinary shares in OESC Seri Petaling by OESC from Dato' Tan Boon Hock and Sandy Tan • This transaction was one-off	-	**2** Negligible % of our Group's NA	-	-	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(r)	OESC and See Well Services Sdn Bhd ("**See Well Services**")	**Interested director** • Dr. Chuah Kay Leong Refer to Note (10)(a) – (10)(b) for details of his relationship with our Directors, major shareholders and/or persons connected with him.	• Payment of consultancy fees by OESC to See Well Services for the professional services provided via Dr. Chuah Kay Leong to OESC • This transaction has since ceased	**1,277,862** 40.76% of our Group's PAT	-	-	-	-
(s)	OESC and RZ70 Sdn Bhd/Dr. Nor Zainura binti Zainal	**Interested director** • Dr. Nor Zainura binti Zainal Refer to Note (11)(a) – (11)(b) and Note (12) for details of her relationship with our Directors, major shareholders and/or persons connected with her.	Payment of consultancy fees by OESC to – • RZ70 Sdn Bhd for the professional services provided via Dr. Nor Zainura binti Zainal to OESC • This transaction has since ceased	**90,178** 2.88% of our Group's PAT	-	-	-	-
			• Dr. Nor Zainura binti Zainal for the provision of professional services by Dr. Nor Zainura binti Zainal to OESC (19) • This transaction is recurrent in nature and will subsist after Listing	**40,288** 1.29% of our Group's PAT	**129,349** 1.75% of our Group's PAT	**118,015** 2.37% of our Group's PAT	**205,954** 2.36% of our Group's PAT	**63,419**

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(t)	OESC Seremban and RZ70 Sdn Bhd/Dr. Nor Zainura binti Zainal	**Interested director** • Dr. Nor Zainura binti Zainal Refer to Note (11)(a) – (11)(b) and Note 12 for details of her relationship with our Directors, major shareholders and/or persons connected with her.	Payment of consultancy fees by OESC Seremban to – • RZ70 Sdn Bhd for the professional services provided via Dr. Nor Zainura binti Zainal to OESC Seremban • This transaction has since ceased	**2,974** 0.09% of our Group's PAT	-	-	-	-
			• Dr. Nor Zainura binti Zainal for the provision of professional services by Dr. Nor Zainura binti Zainal to OESC Seremban [(19)] • This transaction is recurrent in nature and will subsist after Listing	**2,695** 0.09% of our Group's PAT	-	-	-	-
(u)	OESC Shah Alam and RZ70 Sdn Bhd/Dr. Nor Zainura binti Zainal	**Interested director** • Dr. Nor Zainura binti Zainal Refer to Note (11)(a) – (11)(b) and Note 12 for details of her relationship with our Directors, major shareholders and/or persons connected with her.	Payment of consultancy fees by OESC Shah Alam to – • RZ70 Sdn Bhd for the professional services provided via Dr. Nor Zainura binti Zainal to OESC Shah Alam • This transaction has since ceased	**351,175** 11.20% of our Group's PAT	-	-	-	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
			• Dr. Nor Zainura binti Zainal for the provision of professional services by Dr. Nor Zainura binti Zainal to OESC Shah Alam[19] • This transaction is recurrent in nature and will subsist after Listing	**143,794** 4.59% of our Group's PAT	**471,701** 6.39% of our Group's PAT	**499,862** 10.06% of our Group's PAT	**511,568** 5.85% of our Group's PAT	**193,021**
(v)	OESC and Aquiline Vision Sdn Bhd ("**Aquiline Vision**")/ Aquiline Eyecare & Training ("**Aquiline Eyecare & Training**")	**Interested director** • Dr. Yen Siew Siang Refer to Note (13)(a) – (14)(b) for details of her relationship with our Directors, major shareholders and/or persons connected with her.	Payment of consultancy fees by OESC to –					
			• Aquiline Vision for the professional services provided via Dr. Yen Siew Siang to OESC • This transaction has since ceased	**192,254** 6.13% of our Group's PAT	-	-	-	-
			• Aquiline Eyecare & Training for the professional services provided by Dr. Yen Siew Siang to OESC[20] • This transaction is recurrent in nature and will subsist after Listing	**25,627** 0.82% of our Group's PAT	**224,788** 3.05% of our Group's PAT	**197,626** 3.98% of our Group's PAT	**358,576** 4.10% of our Group's PAT	**123,013**
(w)	OESC Shah Alam and Aquiline Vision/Aquiline Eyecare & Training	**Interested director** Dr. Yen Siew Siang Refer to Note (13)(a) – (14)(b) for details of her relationship with our Directors, major shareholders and/or persons connected with her.	Payment of consultancy fees by OESC Shah Alam to –					
			• Aquiline Vision for the professional services provided via Dr. Yen Siew Siang to OESC Shah Alam • This transaction has since ceased	**116,032** 3.70% of our Group's PAT	-	-	-	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
			• Aquiline Eyecare & Training for the professional services provided by Dr. Yen Siew Siang to OESC Shah Alam[20] • This transaction is recurrent in nature and will subsist after Listing	**17,974** 0.57% of our Group's PAT	**153,667** 2.08% of our Group's PAT	**214,557** 4.32% of our Group's PAT	**297,550** 3.40% of our Group's PAT	**55,232**
(x)	OESC Seremban and Aquiline Vision/ Aquiline Eyecare & Training	**Interested director** • Dr. Yen Siew Siang Refer to Note (13)(a) – (14)(b) for details of her relationship with our Directors, major shareholders and/or persons connected with her.	Payment of fees by OESC Seremban to – • Aquiline Vision for the professional services provided via Dr. Yen Siew Siang to OESC Seremban • This transaction has since ceased	**2,774** 0.09% of our Group's PAT	-	-	-	-
			• Aquiline Eyecare & Training for the provision of professional services provided by Dr. Yen Siew Siang to OESC Seremban[20] • This transaction is recurrent in nature and will subsist after Listing	**9,026** 0.29% of our Group's PAT	**1,921** 0.03% of our Group's PAT	-	-	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
(y)	OESC Muar and Lam Eye Specialist and Laser Center Sdn Bhd ("**Lam Eye Specialist**")	**Interested major shareholder** • Lam Hee Hong **Interested director** • Lam Hee Hong Refer to Note (15)(a) – (15)(b) for details of his relationship with our Directors, major shareholders and/or persons connected with them.	• Purchase price paid by OESC Muar to Lam Eye Specialist for the purchase of assets owned by Lam Eye Specialist pursuant to an Asset Purchase Agreement dated 31 December 2016 • This transaction was one-off	-	**1,200,000** 7.34% of our Group's NA	-	-	-
(z)	Sena Wellness Sdn Bhd ("**Sena Wellness**") and OESC/ OESC Bandar Sunway/ Optixanthin	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan	• Sale of inventories by Sena Wellness to –					
			• OESC • This transaction was one-off	-	-	-	**2,210** 0.01% of our Group's NA	-
			• OESC Bandar Sunway • This transaction was one-off	-	-	-	**2,100** 0.01% of our Group's NA	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
		Refer to Note (16)(a) – (16)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Optixanthin • This transaction has since ceased	-	-	-	**260** 0.001% of our Group's NA	**4,680**
(aa)	Sena Wellness and Optixanthin	**Interested major shareholders** • Dato' Tan Boon Hock • Sena Healthcare Services **Interested Directors** • Dato' Tan Boon Hock • Sandy Tan Refer to Note (16)(a) – (16)(c) for details of their relationship with our Directors, major shareholders and/or persons connected with them.	• Sale of inventories by Optixanthin to Sena Wellness • This transaction is recurrent in nature and will subsist after Listing	-	-	-	**2,820** 0.01% of our Group's NA	**10,056**

Note:

(1) Sena Letrik

(a) Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Letrik.
(b) Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.
(c) Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock. She is also an alternate director of Sena Letrik.

10. RELATED PARTY TRANSACTIONS

(2) *Modal Saujana*

(a) *Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Modal Saujana.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock.*

(3) *Top Compliment*

(a) *Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Top Compliment.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock.*

(4) *Sena Diecasting Industries*

(a) *Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and substantial shareholder of Sena Diecasting Industries.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock. She is also an alternate director of Sena Diecasting Industries.*

(5) *Sena Project Management*

(a) *Dato' Tan Boon Hock is our Director and major shareholder. He is also a director of Sena Project Management.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock.*

(6) *Sena Traffic Systems*

(a) *Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Traffic Systems.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock.*

(7) *TBH Holdings*

(a) *Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of TBH Holdings.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock. She is also an alternate director of TBH Holdings.*

10. RELATED PARTY TRANSACTIONS

(8) *Datin Lim Sho Hoo*

(a) *Datin Lim Sho Hoo is our Promoter, Substantial Shareholder and a person connected with Dato' Tan Book Hock and Sandy Tan.*
(b) *Dato' Tan Boon Hock is our Director and major shareholder and a person connected with Datin Lim Sho Hoo.*
(c) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(d) *Sandy Tan is our Director and a person connected with Datin Lim Sho Hoo.*

(9) *Dato' Tan Boon Hock*

(a) *Dato' Tan Boon Hock is our Director, major shareholder and a person connected with Sandy Tan and Michelle Tan.*
(b) *Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.*
(c) *Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock and Michelle Tan.*
(d) *Michelle Tan is a person connected with Dato' Tan Boon Hock and Sandy Tan.*

(10) *See Well Services*

(a) *Dr. Chuah Kay Leong is our director of OESC, being our wholly-owned subsidiary.*
(b) *Dr. Chuah Kay Leong is also a director and major shareholder of See Well Services.*

(11) *RZ70 Sdn Bhd*

(a) *Dr. Nor Zainura binti Zainal is our director of OESC Shah Alam, being our wholly-owned subsidiary.*
(b) *Dr. Nor Zainura binti Zainal is also a director and major shareholder of RZ70 Sdn Bhd.*

(12) *Dr. Nor Zainura binti Zainal is our director of OESC Shah Alam, being our wholly-owned subsidiary.*

(13) *Aquiline Vision*

(a) *Dr. Yen Siew Siang is our director and major shareholder of OESC Kajang, our 79% owned subsidiary. She is also holding the remaining 21% shareholdings in OESC Kajang.*
(b) *Dr. Yen Siew Siang is also a major shareholder of Aquiline Vision.*

(14) *Aquiline Eyecare & Training*

(a) *Dr. Yen Siew Siang is our director and major shareholder of OESC Kajang, our 79% owned subsidiary. She is also holding the remaining 21% shareholdings in OESC Kajang.*
(b) *Dr. Yen Siew Siang is also the sole proprietor of Aquiline Eyecare & Training.*

10. RELATED PARTY TRANSACTIONS

(15) Lam Eye Specialist

(a) Dr. Lam Hee Hong is a director of OESC Southern, our 70% owned subsidiary and Inspirasi Alamjaya, our wholly-owned subsidiary. He is also holding the remaining 30% shareholdings in OESC Southern.
(b) Dr. Lam Hee Hong is a director and major shareholder of Lam Eye Specialist.

(16) Sena Wellness

(a) Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Wellness.
(b) Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock.
(c) Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock.

(17) The salient terms of the tenancy agreement in respect of the Seremban Buildings are as follows:

(a) the tenant agrees, covenants and undertakes with the landlord not to assign, sub-let or otherwise part with the actual or legal possession or use of the demised property or any part thereof for any terms without the prior written consent of the landlord which consent may be given or refused or withheld at the landlord's sole and absolute discretion with or without conditions and without any obligation to give any reasons therefor;
(b) the rental rate is RM16,500 per month;
*(c) the tenancy period is from 1 December 2019 until 1 December 2022 ("**principal tenancy period**");*
(d) the landlord acknowledges, agrees and covenants that the tenant is permitted to make any structural or material alterations, renovations, constructions, partitions or additions whatsoever to or in the demised properties or the façade of the demised properties at the tenant's own cost and expense, for the purpose of equipping the demised properties to function and operate as an eye specialist centre;
(e) the landlord grants the tenant an option to renew the tenancy for 2 terms of 3 years each at a revised monthly rental calculated in the following manner subject always that the tenant shall, not more than 6 months and not less than 3 months before the date of expiration of the principal tenancy period, give to the landlord notice in writing of its desire to renew the tenancy:
  (i) an amount equivalent to the prevailing monthly rental of the principal tenancy period or the secondary tenancy period (as the case may be); or
  (ii) an amount equivalent to the prevailing market rate applicable to such comparable premises as at the expiry of the principal tenancy period or the relevant secondary tenancy period (as the case may be),

  whichever shall be the lower;
(f) the landlord may terminate the tenancy if, among others, (a) any part of the monthly rent remains unpaid for 14 days after becoming payable; (b) the tenant uses the demised properties for any unlawful purpose or for any purpose other than that expressly consented to by the landlord in writing; (c) the tenant permits or suffers to be presented a petition (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of the tenant; or (d) the tenant enters into any arrangement or composition for the benefit of or enter into any arrangement with its creditors (whether compulsorily or voluntarily).

(18) The salient terms of the tenancy agreement are as follows:

(a) the tenant agrees, covenants and undertakes with the landlord not to assign, sub-let or otherwise part with the actual or legal possession or use of the demised property or any part thereof for any terms without the prior written consent of the landlord which consent may be given or refused or withheld at the landlord's sole and absolute discretion with or without conditions and without any obligation to give any reasons therefor;

10. RELATED PARTY TRANSACTIONS

(b) the landlord shall be at liberty at any time to sell, transfer, dispose assign and/or novate any of its rights and benefits in the demised property and the tenancy agreement to any party at its absolute discretion provided always that the landlord shall have procured the undertaking and agreement in writing of the new owner or assignee of the demised property that the tenant shall be permitted to continue the tenancy or the duration of the tenancy period stipulated under the tenancy agreement upon the same terms and conditions contained in the existing tenancy agreement;

(c) in respect of the tenancies pertaining to the demised properties set out in Column A, the rental rates and tenancy periods are as set out in Column B and Column C, respectively:

Column A	***Column B***	***Column C***	***Column D***
Demised properties	***Rental rate per month (RM)***	***Principal tenancy period***	***Option to renew***
No. 17, Jalan Bayu Tinggi 7, Taman Bayu Tinggi, 41200 Klang, Selangor	*8,000*	*1 December 2019 – 1 December 2022*	*2 terms of 3 years each*
No. 1, Jalan Dato' Khong Kam Tak, Off Jalan Tambun, 31400 Ipoh, Perak	*12,000*	*1 December 2019 – 1 December 2022*	*2 terms of 3 years each*
55, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor	*8,000*	*1 November 2019 – 1 November 2022*	*2 terms of 3 years each*
53, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor	*8,000*	*1 November 2019 – 1 November 2022*	*2 terms of 3 years each*
Akademic Suite #L9-10, Block A, Jalan Mount Austin, 81100 Johor Bahru, Johor	*1,800*	*1 May 2019 – 1 May 2022*	*2 terms of 3 years each*
19, Jalan Austin Heights 2/1, Taman Mount Austin, 81100 Johor Bahru, Johor	*12,200*	*1 August 2019 – 1 August 2022*	*2 terms of 3 years each*

*(d) the landlord grants the tenant an option to renew the tenancy for such further terms as set out in Column D ("**secondary tenancy period**") at a revised monthly rental calculated in the following manner subject always that the tenant shall, not more than 6 months and not less than 3 months before the date of expiration of the principal tenancy period, give to the landlord notice in writing of its desire to renew the tenancy:*

(i) an amount equivalent to the prevailing monthly rental of the principal tenancy period or the secondary tenancy period (as the case may be); or

(ii) an amount equivalent to the prevailing market rate applicable to such comparable premises as at the expiry of the principal tenancy period or the relevant secondary tenancy period (as the case may be),

whichever shall be the lower; and

(e) the landlord may terminate the tenancy if, among others, (a) any part of the monthly rent remains unpaid for 14 days after becoming payable; (b) the tenant uses the demised properties for any unlawful purpose or for any purpose other than that expressly consented to by the landlord in writing; (c) the tenant permits or suffers to be presented a petition (and such petition is not stayed or struck-out within 30 business days of the petition being served) or an order is made or a resolution is passed for the winding up of the tenant; or (d) the tenant enters into any arrangement or composition for the benefit of or enter into any arrangement with its creditors (whether compulsorily or voluntarily).

*(19) The salient terms of the provision of consultancy services arrangement between Dr. Nor Zainura binti Zainal ("**Dr. Zai**") and OESC Shah Alam ("**Dr. Zai Consultancy Arrangement**") are as follows:*

10. RELATED PARTY TRANSACTIONS

(a) OESC Shah Alam appoints Dr. Zai to provide service of consultant ophthalmologist at places that shall be determined by OESC Shah Alam during the term from 1 October 2019 to 31 December 2023. Dr. Zai shall be mainly attached to the treatment centre for practice situated at No. 50-G & 52-G, Blok 3, Jalan Pahat G 15/G, Dataran Otomobil, Seksyen 15, 40200 Shah Alam, Selangor;

(b) in the event that OESC Shah Alam requires the services of Dr. Zai at other treatment centres, Dr. Zai shall provide the services at such other treatment centres;

(c) Dr. Zai shall give at least 3 months' prior notice of resignation and/or termination to OESC Shah Alam and train a suitably qualified replacement consultant as shall be appointed by OESC Shah Alam for a minimum period of 2 months prior to the termination of the Dr. Zai Consultancy Arrangement;

(d) OESC Shah Alam shall make payment to Dr. Zai for the services rendered in accordance with the fees schedule as agreed between OESC Shah Alam and Dr. Zai subject always that payment shall only be made by OESC Shah Alam to Dr. Zai upon receipt of full payment from the customers/patients, and provided that if Dr. Zai shall be in breach of her obligations or has failed to carry out or provide the services as agreed, OESC Shah Alam may give notice to Dr. Zai of its intention not to make such payment and until the services have been carried out, may withhold payment accordingly. If Dr. Zai shall persistently fail to carry out the services after the due notice, OESC Shah Alam may immediately summarily terminate the Dr. Zai Consultancy Arrangement; and

(e) the Dr. Zai Consultancy Arrangement may be terminated by the non-defaulting party upon happening of (a) failure on the part of either party to observe any obligation not requiring notice to be served and in the case of obligations requiring notice to be served, failure to comply with the terms of notice or to remedy any breach stated therein within 14 days from the date thereof, or (b) the levying of any distress or execution against any party or the making by a party of any composition or arrangement with creditors or a party being declared a bankrupt or being liquidated (other than a members' voluntary liquidation).

*(20) The salient terms of the provision of consultancy services arrangement between Aquiline Eyecare & Training and OESC ("**AET Consultancy Arrangement**") are as follows:*

*(a) OESC obtains the services of Dr. Yen Siew Siang ("**Dr. Yen**") through Aquiline Eyecare & Training as consultant ophthalmologist at places that shall be determined by OESC during the term from 1 January 2018 to 31 December 2020. Dr. Yen shall be mainly attached to the treatment centre for practice situated at No. 17 and 19, Jalan Bayu Tinggi 7, 41200 Klang, Selangor;*

(b) in the event that OESC requires the services of Dr. Yen at other treatment centres, Dr. Yen shall provide the services at such other treatment centres;

(c) Dr. Yen shall give at least 3 months' prior notice of resignation and/or termination to OESC and train a suitably qualified replacement consultant as shall be appointed by OESC for a minimum period of 2 months prior to the termination of the AET Consultancy Arrangement;

(d) OESC shall make payment to Aquiline Eyecare & Training for the services rendered by Dr. Yen, in accordance with the fees schedule as agreed between OESC and Aquiline Eyecare & Training subject always that payment shall only be made by OESC to Aquiline Eyecare & Training upon receipt of full payment from the customers/patients, and provided that if Dr. Yen shall be in breach of her obligations or has failed to carry out or provide the services as agreed, OESC may give notice to Aquiline Eyecare & Training or Dr. Yen of its intention not to make such payment and until the services have been carried out, may withhold payment accordingly. If Dr. Yen shall persistently fail to carry out the services after the due notice, OESC may immediately summarily terminate the AET Consultancy Arrangement; and

(e) the AET Consultancy Arrangement may be terminated by the non-defaulting party upon happening of (a) failure on the part of either party to observe any obligation not requiring notice to be served and in the case of obligations requiring notice to be served, failure to comply with the terms of notice or to remedy any breach stated therein within 14 days from the date thereof, or (b) the levying of any distress or execution against any party or the making by a party of any composition or arrangement with creditors or a party being declared a bankrupt or being liquidated (other than a members' voluntary liquidation).

10. RELATED PARTY TRANSACTIONS

Save for the related party transactions set out in Sections 10.1.1 (f) - (g) and (m) - (n) of this Prospectus, our Directors confirm that the other related party transactions were carried out on an arm's length basis. For the related party transactions which were not carried out on an arm's length basis as set out in Sections 10.1.1 (f) - (g) and (m) - (n) of this Prospectus, our Group has taken steps to enter into new tenancy agreements at the prevailing market rate, in the substitution of the previous tenancy agreements.

Related party transactions can be deemed as recurrent, if they are entered into at least once every three years, in the ordinary course of business and are of a revenue or trading nature necessary for the day-to-day operations of our Group.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek shareholders' approval each time our Company enters into material related party transactions. However, if a related party transaction can be deemed as a recurrent related party transaction, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transactions may be aggregated to determine the materiality of these transactions if they occur within a 12-month period, are entered with the same party or with parties connected with one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/asset or of various parcels of land contiguous to each other.

In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and/or persons connected with a Director or major shareholder which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or major shareholder will also undertake to ensure that persons connected with him, if any, will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

In addition, to safeguard our interest and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, review the terms of all related party transactions (if any), and to report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In respect of the related party transactions which will subsist after our Listing as set out in Section 10.1.1 of this Prospectus, our Audit and Risk Management Committee has reviewed the terms thereof and is of the opinion that such related party transactions will be conducted at arm's length basis and on normal commercial terms in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and will not prejudice our shareholders or disadvantage our Company.

10. RELATED PARTY TRANSACTIONS

10.1.2 Summary of related party transactions entered by OESC and its subsidiaries

Below is a summary of the related party transactions listed in Section 10.1.1 of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the same related party:

Related Party	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
Sena Letrik	Payment of rental	**26,500** 0.85% of our Group's PAT	-	-	-	-
	Sharing of services	**66,684** 2.13% of our Group's PAT	**26,971** 0.37% of our Group's PAT	**44,060** 0.89% of our Group's PAT	**25,123** 0.29% of our Group's PAT	-
	Provision of eye treatment services	-	-	-	**183,190** 0.29% of our Group's Revenue	**489**
	One-off purchase	-	**80,000** 0.49% of our Group's NA	-	-	-
Modal Saujana	Payment of rental	**267,120** 8.52% of our Group's PAT	**253,340** 3.43% of our Group's PAT	**409,650** 8.24% of our Group's PAT	**273,000** 3.12% of our Group's PAT	**182,500**
	One-off purchase	-	-	**5,300,000** 25.49% of our Group's NA	-	-

10. RELATED PARTY TRANSACTIONS

Related Party	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
Top Compliment	Payment of rental	**107,000** 3.41% of our Group's PAT	**96,000** 1.30% of our Group's PAT	**96,000** 1.93% of our Group's PAT	**96,000** 1.10% of our Group's PAT	-
Sena Diecasting	Sharing of services	-	**2,333** 0.03% of our Group's PAT	**18,592** 0.37% of our Group's PAT	-	-
Sena Project Management	Sharing of services	**8,625** 0.28% of our Group's PAT	**51,695** 0.70% of our Group's PAT	**22,762** 0.46% of our Group's PAT	-	-
	Payment of rental	-	-	-	**2,000** 0.02% of our Group's PAT	-
Sena Traffic Systems	One-off purchase	-	-	**318,000** 1.53% of our Group's NA	-	-
	Provision of eye treatment services	-	-	-	**18,238** 0.03% of our Group's Revenue	**7,014**
TBH Holdings	Payment of rental	-	**32,000** 0.43% of our Group's PAT	**96,000** 1.93% of our Group's PAT	**96,000** 1.10% of our Group's PAT	**40,000**

10. RELATED PARTY TRANSACTIONS

Related Party	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
Datin Lim Sho Hoo	Payment of rental	-	**32,000** 0.43% of our Group's PAT	**96,000** 1.93% of our Group's PAT	**96,000** 1.10% of our Group's PAT	**40,000**
Dato' Tan Boon Hock	Payment of rental	-	**68,000** 0.92% of our Group's PAT	**168,000** 3.38% of our Group's PAT	**167,400** 1.92% of our Group's PAT	**70,000**
	One-off purchases	-	-	**1** Negligible % of our Group's NA	**3** Negligible % of our Group's NA	-
Sandy Tan and Michelle Tan	One-off purchase	-	**100,000** 0.61% of our Group's NA	-	-	-
Dato' Tan Boon Hock and Sandy Tan	One-off purchase	-	**2** Negligible % of our Group's NA	-	-	-
See Well Services	Payment of doctors' fees	**1,277,862** 40.76% of our Group's PAT	-	-	-	-
RZ70 Sdn Bhd	Payment of doctors' fees	**444,327** 14.17% of our Group's PAT	-	-	-	-

10. RELATED PARTY TRANSACTIONS

Related Party	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
Dr. Nor Zainura binti Zainal	Payment of doctors' fees	**186,777** 5.96% of our Group's PAT	**601,050** 8.14% of our Group's PAT	**617,877** 12.43% of our Group's PAT	**717,522** 8.21% of our Group's PAT	**256,440**
Aquiline Vision	Payment of doctors' fees	**311,060** 9.92% of our Group's PAT	-	-	-	-
Aquiline Eyecare & Training	Payment of doctors' fees	**52,627** 1.68% of our Group's PAT	**380,376** 5.15% of our Group's PAT	**412,183** 8.29% of our Group's PAT	**656,126** 7.51% of our Group's PAT	**178,245**
Lam Eye Specialist	One-off purchase	-	**1,200,000** 7.34% of our Group's NA	-	-	-
Sena Wellness	One-off purchases	-	-	-	**4,310** 0.02% of our Group's NA	-
	Purchases of inventories	-	-	-	**260** Negligible % of our Group's NA	**4,680**
	Recurrent sales of inventories	-	-	-	**2,820** 0.01% of our Group's NA	**10,056**

10. RELATED PARTY TRANSACTIONS

Below is a summary of the related party transactions listed in Section 10.1.1 of this Prospectus aggregated on the basis that such transactions have been entered into by our Group with the related parties who are connected with each other:

Related Party	Interested major shareholders/ Interested Directors	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
Sena Letrik, Modal Saujana, Top Compliment, Sena Diecasting, Sena Project Management, Sena Traffic Systems, TBH Holdings, Datin Lim Sho Hoo, Dato' Tan Boon Hock, Sandy Tan, Michelle Tan, Sena Wellness	Dato' Tan Boon Hock, Sena Healthcare Services, Sandy Tan	Payment of rental	**400,620** 12.78% of our Group's PAT	**481,340** 6.52% of our Group's PAT	**865,650** 17.42% of our Group's PAT	**730,400** 8.36% of our Group's PAT	**332,500**
		Sharing of services	**75,309** 2.40% of our Group's PAT	**80,999** 1.10% of our Group's PAT	**85,414** 1.72% of our Group's PAT	**25,123** 0.29% of our Group's PAT	-
		Provision of eye treatment services	-	-	-	**201,428** 0.32% of our Group's Revenue	**7,503**

10. RELATED PARTY TRANSACTIONS

Related Party	Interested major shareholders/ Interested Directors	Nature of transaction	FYE 2016 (RM)	FYE 2017 (RM)	FYE 2018 (RM)	FYE 2019 (RM)	From 1 January 2020 up to the LPD (RM)
		One-off purchases	-	**180,002** 1.10% of our Group's NA	**5,618,001** 27.02% of our Group's NA	**4,313** 0.02% of our Group's NA	-
		Purchases of inventories	-	-	-	**260** Negligible % of our Group's NA	**4,680**
		Recurrent sales of inventories	-	-	-	**2,820** 0.01% of our Group's NA	**10,056**
See Well Services	Dr. Chuah Kay Leong	Payment of doctors' fees	**1,277,862** 40.76% of our Group's PAT	-	-	-	-
RZ70 Sdn Bhd, Dr. Nor Zainura binti Zainal	Dr. Nor Zainura binti Zainal	Payment of doctors' fees	**631,104** 20.13% of our Group's PAT	**601,050** 8.14% of our Group's PAT	**617,877** 12.43% of our Group's PAT	**717,522** 8.21% of our Group's PAT	**256,440**
Aquiline Vision, Aquiline Eyecare & Training	Dr. Yen Siew Siang	Payment of doctors' fees	**363,687** 11.60% of our Group's PAT	**380,376** 5.15% of our Group's PAT	**412,183** 8.29% of our Group's PAT	**656,126** 7.51% of our Group's PAT	**178,245**
Lam Eye Specialist	Dr. Lam Hee Hong	One-off purchase	-	**1,200,000** 7.34% of our Group's NA	-	-	-

10. RELATED PARTY TRANSACTIONS

10.1.3 Related party transactions entered into that are unusual in their nature or conditions

There were no related party transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our subsidiaries were a party to in respect of the Period under Review and up to the LPD.

10.1.4 Material outstanding loans and financial assistance (including guarantees of any kind) made to or for the benefit of a related party

Our Group has not granted any material loans or financial assistance (including guarantees of any kind) to or for the benefit of our related parties in respect of the Period under Review and up to the LPD, which remain outstanding as at the LPD.

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11. CONFLICTS OF INTEREST

11.1 CONFLICTS OF INTEREST

As at the LPD, save as disclosed below, none of our Directors and Substantial Shareholders have any interest *(direct or indirect)* in any businesses or corporations that is (i) carrying on a similar trade as that of our Group; or (ii) a customer or supplier of our Group:

Company	Principal activities	Nature	Directors and/or Substantial Shareholders	Nature of interest
Sena Letrik	Electrical works contractors, general trading	Sena Letrik is our customer as we provide eye treatment services to the employees of Sena Letrik group of companies	• Dato' Tan Boon Hock • Sena Healthcare Services • Sandy Tan	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Letrik. • Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock. • Sandy Tan is our Director and a person connected with Dato' Tan Boon Hock. She is also an alternate director of Sena Letrik.
Sena Traffic Systems	Business of development and installation of traffic systems	Sena Traffic Systems is our customer as we provide eye treatment services to its employees		
Sena Wellness	Operating a general practitioner private clinic to provide medical and healthcare consultancy	Sena Wellness is our customer as Optixanthin sells its inventories to Sena Wellness		

Our Board is of the view that the interests of Dato' Tan Boon Hock, Sena Healthcare Services and Sandy Tan in Sena Letrik, Sena Traffic Systems and Sena Wellness does not give rise to a conflict of interest situation on the basis that our Group's revenue is not dependent on Sena Letrik, Sena Traffic Systems and Sena Wellness. The medical fees and prices payable by Sena Letrik, Sena Traffic System and Sena Wellness in respect of eye treatment services and inventories sold are similar to the fees charged by our Group to third parties.

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11. CONFLICTS OF INTEREST

As highlighted in Section 5.2.3 of this Prospectus, the following Directors and/or Substantial Shareholders are involved in general healthcare services:

Company	Principal activities	Directors and/or Substantial Shareholders	Nature of interest
Hospital Pakar Mata Melaka Sdn Bhd	Investment holding and construction of hospital. It owns a parcel of land located in Melaka as at the LPD	• Dato' Tan Boon Hock • Datin Lim Sho Hoo • Dr. Stephen Chung • Sandy Tan	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director of Hospital Pakar Mata Melaka Sdn Bhd • Datin Lim Sho Hoo and Dr. Stephen Chung are our Substantial Shareholders. They are also the directors of Hospital Pakar Mata Melaka Sdn Bhd • Sandy Tan is our Director. She is also a director of Hospital Pakar Mata Melaka Sdn Bhd
TBH Healthcare Holdings Sdn Bhd (*formerly known as Optimax Healthcare Sdn Bhd*)	Investment holding; however, it does not hold shares in any company as at the LPD	• Dato' Tan Boon Hock • Datin Lim Sho Hoo • Dr. Stephen Chung • Sandy Tan • Sena Healthcare Services	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director of TBH Healthcare Holdings Sdn Bhd (*formerly known as Optimax Healthcare Sdn Bhd*). • Datin Lim Sho Hoo and Dr. Stephen Chung are our Substantial Shareholders. They are also the directors of TBH Healthcare Holdings Sdn Bhd (*formerly known as Optimax Healthcare Sdn Bhd*). • Sandy Tan is our Director. She is also a director of TBH Healthcare Holdings Sdn Bhd (*formerly known as Optimax Healthcare Sdn Bhd*). • Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock. It is also a major shareholder of TBH Healthcare Holdings Sdn Bhd (*formerly known as Optimax Healthcare Sdn Bhd*).

11. CONFLICTS OF INTEREST

Company	Principal activities	Directors and/or Substantial Shareholders	Nature of interest
Sena Health & Wellness Sdn Bhd (*formerly known as Optimax Wellness Sdn Bhd*)	Specialised medical services - Dormant	• Dato' Tan Boon Hock • Sandy Tan • Dr. Stephen Chung	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Health & Wellness Sdn Bhd (*formerly known as Optimax Wellness Sdn Bhd*). • Sandy Tan is our Director. She is also a director and major shareholder of Sena Health & Wellness Sdn Bhd (*formerly known as Optimax Wellness Sdn Bhd*). • Dr. Stephen Chung is our Substantial Shareholder. He is also a director of Sena Health & Wellness Sdn Bhd (*formerly known as Optimax Wellness Sdn Bhd*).
Pontian Medical Centre Sdn Bhd	Investment holding and construction of hospital. It holds the zoning approval to build a private hospital in Pontian, Johor	• Dato' Tan Boon Hock • Datin Lim Sho Hoo	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director of Pontian Medical Centre Sdn Bhd. • Datin Lim Sho Hoo is our Substantial Shareholder. She is also a director of Pontian Medical Centre Sdn Bhd.
Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*)	Investment holding; however, it does not hold shares in any company as at the LPD. It owns a parcel of land in Pontian, Johor for the construction of a hospital by Pontian Medical Centre Sdn Bhd.	• Dato' Tan Boon Hock • Datin Lim Sho Hoo • Sena Healthcare Services	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director of Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*). • Datin Lim Sho Hoo is our Substantial Shareholder. She is also a director of Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*). • Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock. It is also a major shareholder of Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*).

11. CONFLICTS OF INTEREST

Company	Principal activities	Directors and/or Substantial Shareholders	Nature of interest
Sena Healthcare Management Sdn Bhd (*formerly known as Optimax Healthcare Management Sdn Bhd*)	Provision of management services - Dormant	• Dato' Tan Boon Hock • Sandy Tan	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Healthcare Management Sdn Bhd (*formerly known as Optimax Healthcare Management Sdn Bhd*) • Sandy Tan is our Director. She is also a director and major shareholder of Sena Healthcare Management Sdn Bhd (*formerly known as Optimax Healthcare Management Sdn Bhd*)
Kluang Specialist Hospital Sdn Bhd Semenyih Specialist Hospital Sdn Bhd Setia Alam Specialist Hospital Sdn Bhd	Investment holding and construction of hospital. It owns a hospital in Kluang, Johor which is currently leased to Johor Specialist Hospital Sdn Bhd, a subsidiary of KPJ Healthcare Berhad Investment holding and construction of hospital Investment holding and construction of hospital	• Dato' Tan Boon Hock • Dr. Stephen Chung • Sena Healthcare Services	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Kluang Specialist Hospital Sdn Bhd, Semenyih Specialist Hospital Sdn Bhd and Setia Alam Specialist Hospital Sdn Bhd. • Dr. Stephen Chung is our Substantial Shareholder. He is also a director of Kluang Specialist Hospital Sdn Bhd, Semenyih Specialist Hospital Sdn Bhd and Setia Alam Specialist Hospital Sdn Bhd. • Sena Healthcare Services is our major shareholder and a person connected with Dato' Tan Boon Hock. It is also a major shareholder of Kluang Specialist Hospital Sdn Bhd, Semenyih Specialist Hospital Sdn Bhd and Setia Alam Specialist Hospital Sdn Bhd.
Mont Kiara Specialist Hospital Sdn Bhd	Investment holding and construction of hospital. It holds the zoning approval to build a private hospital in Mont Kiara, Kuala Lumpur	• Dato' Tan Boon Hock • Dr. Stephen Chung	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Mont Kiara Specialist Hospital Sdn Bhd and Sena Healthcare Sdn Bhd. • Dr. Stephen Chung is our Substantial Shareholder. He is also a director of Mont Kiara Specialist Hospital Sdn Bhd and Sena Healthcare Sdn Bhd.

11. CONFLICTS OF INTEREST

Company	Principal activities	Directors and/or Substantial Shareholders	Nature of interest
Sena Healthcare Sdn Bhd	Investment holding company holding shares in Hospital Pakar Mata Melaka Sdn Bhd, which is involved in construction of hospital		
Sena Wellness Sdn Bhd	Operating a general practitioner private clinic to provide medical and healthcare consultancy	• Dato' Tan Boon Hock	• Dato' Tan Boon Hock is our Director and major shareholder. He is also a director and major shareholder of Sena Wellness Sdn Bhd.

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11. CONFLICTS OF INTEREST

Our Board is of the view that the interests of the aforesaid Directors and/or Substantial Shareholders involved in such businesses will not give rise to conflict of interest situations on the following basis:

(a) None of the aforesaid companies are involved in the provision of any eye care services under the eye specialist industry, and none of the aforesaid Directors and/or Substantial Shareholders intend to procure such companies to be involved in and participate in the provision of any eyecare services under the eye specialist industry.

(b) Hospital Pakar Mata Melaka Sdn Bhd is involved in investment holding and construction of hospital. It owns a parcel of land located in Melaka but the company has yet to commence construction of the hospital as at the LPD. As at the LPD, the company has yet to apply to MOH for zoning approval to construct a private hospital. The company intends to sell or lease the hospital to third party healthcare provider to operate and manage upon the completion of the construction thereof. The company does not and will not be holding any licence to operate the hospital, and the third party healthcare provider will have to apply for the licence to operate the hospital.

(c) TBH Healthcare Holdings Sdn Bhd *(formerly known as Optimax Healthcare Sdn Bhd)* is an investment holding company. However, it does not hold shares in any company as at the LPD.

(d) Sena Health & Wellness Sdn Bhd (*formerly known as Optimax Wellness Sdn Bhd*) has been dormant since its incorporation in 2015.

(e) Pontian Medical Centre Sdn Bhd is involved in investment holding and construction of hospital. It intends to build a hospital on a parcel of land located in Pontian, Johor owned by Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*). As at the LPD, the company has received zoning approval from MOH to construct a private hospital but has yet to commence construction of the hospital. The company intends to build the hospital for Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*) which will then be sold or leased to third party healthcare provider to operate and manage upon the completion of the construction thereof. The company does not and will not be holding any licence to operate the hospital, and the third party healthcare provider will have to apply for the licence to operate the hospital.

(f) Sena Vision Sdn Bhd (*formerly known as Optimax Vision Sdn Bhd*) is an investment holding company. However, as at the LPD, it does not hold shares in any company but owns a parcel of land in Pontian, Johor for the construction of a hospital by Pontian Medical Centre Sdn Bhd.

(g) Sena Healthcare Management Sdn Bhd (*formerly known as Optimax Healthcare Management Sdn Bhd*) is a dormant company which was involved in the provision of management services. Despite the name nomenclature, the company is not involved in any healthcare businesses/operations.

(h) Kluang Specialist Hospital Sdn Bhd is involved in investment holding and construction of hospital. It owns a hospital in Kluang, Johor, which is currently leased to Johor Specialist Hospital Sdn Bhd, a subsidiary of KPJ Healthcare Berhad. The company does not and will not be holding any licence to operate the hospital. The licence to operate the hospital will be held by Johor Specialist Hospital Sdn Bhd, the operator of the hospital.

11. CONFLICTS OF INTEREST

(i) Mont Kiara Specialist Hospital Sdn Bhd is involved in investment holding and construction of hospital. It intends to build a hospital on a parcel of land located in Mont Kiara, Kuala Lumpur owned by Dataran Inisiatif Sdn Bhd. As at the LPD, the company has received zoning approval from MOH to construct a private hospital but has yet to commence construction of the hospital. The company intends to build the hospital for Dataran Inisiatif Sdn Bhd which will then be sold or leased to third party healthcare provider to operate and manage upon the completion of the construction thereof. The company does not and will not be holding any licence to operate the hospital, and the third party healthcare provider will have to apply for a licence to operate the hospital.

(j) Sena Healthcare Sdn Bhd is the investment holding company holding shares in Hospital Pakar Mata Melaka Sdn Bhd, where the latter company is involved in the construction of hospital.

(k) Semenyih Specialist Hospital Sdn Bhd is involved in investment holding and construction of hospital. As at the LPD, the company is in the midst of applying to MOH for zoning approval to construct a private hospital on a parcel of land located in Semenyih, Selangor which it intends to purchase. The company intends to sell or lease the hospital to third party healthcare provider to operate and manage upon the completion of the construction thereof. The company does not and will not be holding any licence to operate the hospital, and the third party healthcare provider will have to apply for the licence to operate the hospital.

(l) Setia Alam Specialist Hospital Sdn Bhd is involved in investment holding and construction of hospital. As at the LPD, the company is in the midst of applying to MOH for zoning approval to construct a private hospital on a parcel of land located in Setia Alam, Selangor which it intends to purchase. The company intends to sell or lease the hospital to third party healthcare provider to operate and manage upon the completion of the construction thereof. The company does not and will not be holding any licence to operate the hospital, and the third party healthcare provider will have to apply for the licence to operate the hospital.

(m) Sena Wellness Sdn Bhd presently owns and operates a general practitioner private clinic to provide medical and healthcare consultancy services.

(n) None of the aforesaid companies are deemed complementary or in competition to the businesses of our Group.

Although the hospitals constructed by the aforesaid companies may be sold or leased to third party healthcare providers which may provide eye specialist services in the future, it will not give rise to a conflict of interest situation on the following basis:

(a) the construction of hospitals is not in competition with the businesses of the Group; and

(b) the business operated by third party healthcare providers are not within the control or management of Dato' Tan Boon Hock and any of the related parties.

Our Audit and Risk Management Committee took note of the previous disposal of lands and properties by our related parties to our Group. To safeguard our interest and our minority shareholders, and to mitigate any potential conflict of interest situation, in the event any of our Directors, Substantial Shareholders and/or persons connected with them propose to dispose of any land and property to our Group going forward, our Audit and Risk Management Committee will, amongst others, review the terms of all such transactions (if any), and to report to our non-interested Directors for further action.

11. CONFLICTS OF INTEREST

Our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and our Board will disclose such conflict of interest situations, if any, for resolution as and when they arise. In line with its term of reference as stated in Section 11.2 of this Prospectus, our Audit and Risk Management Committee will review these potential conflict of interest situations that may arise therefrom and resolve such conflicts of interest situations, if any.

11.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to ensure that these transactions are carried out in the best interest of the Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

11.2.2 Related party transactions and conflicts of interest

Some of the Directors and/or Substantial Shareholders of our Company are also directors and/or shareholders as named in Section 5.2.3 of this Prospectus. It is the policy of our Company that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that:

(i) there is no conflict of interest;

(ii) the related party transactions are negotiated and agreed in the best interest of the Company at arm's length basis;

(iii) the related party transactions are based on normal commercial terms not more favourable to the related party than those generally available to third parties; and

(iv) the related party transactions are not to the detriment of the interest of our Company's minority shareholders.

11.3 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.3.1 Affin Hwang IB

Affin Hwang IB confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Principal Adviser, Sole Placement Agent, Sole Underwriter and Sponsor for our IPO.

11.3.2 KPMG

KPMG confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Auditors and Reporting Accountants for our IPO.

11. CONFLICTS OF INTEREST

11.3.3 Mah-Kamariyah & Philip Koh

Mah-Kamariyah & Philip Koh confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Solicitors for our IPO.

11.3.4 Vital Factor

Vital Factor confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Independent Business and Market Research Consultant for our IPO.

11.3.5 Cheston International (KL) Sdn Bhd

Cheston International (KL) Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Independent Property Valuer for our IPO.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

12.1.1 Selected historical combined financial data

The following selected historical combined financial information for the FYE 2016, FYE 2017, FYE 2018 and FYE 2019 presented below have been extracted from the Accountants' Report included in Section 13 of this Prospectus.

The statutory financial statements of the entities of the Group for the FYE 2016, FYE 2017, FYE 2018 and FYE 2019 have been prepared and presented in accordance with MFRS and IFRS except for the entities OESC Seri Petaling, OESC Ipoh and Inspirasi Alamjaya in which the statutory financial statements for the FYE 31 December 2016 were prepared in accordance with Malaysian Private Entities Reporting Standard ("**MPERS**"). Nonetheless, the historical combined financial information for the FYE 2016, FYE 2017, FYE 2018 and FYE 2019 in the Accountants Report have been prepared and presented in accordance with MFRS and IFRS.

The historical combined financial information presented below should be read in conjunction with the "Management Discussion and Analysis of Financial Condition, Results of Operations and Prospects" as set out in Section 12.2 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

	FYE			
	(1)2016	**(1)2017**	**(1)2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Combined statements of profit or loss and other comprehensive income:				
Revenue	29,962	36,015	49,234	62,619
Other income	869	2,933	94	87
Inventories and consumables	(6,126)	(8,261)	(10,553)	(12,875)
Staff costs	(11,768)	(12,204)	(18,266)	(23,617)
Depreciation expenses	(3,751)	(3,726)	(5,324)	(5,642)
Other expenses	(3,840)	(4,244)	(2)(6,160)	(2)(6,587)
Net loss on impairment of financial instruments	(3)	(37)	-	-
Results from operating activities	5,343	10,476	9,025	13,985
Finance income	-	4	20	48
Finance costs	(683)	(897)	(1,244)	(1,461)
PBT	**4,660**	**9,583**	**7,801**	**12,572**
Tax expense	(1,525)	(2,203)	(2,831)	(3,833)
PAT and total comprehensive income for the year	**3,135**	**7,380**	**4,970**	**8,739**
PAT and total comprehensive income attributable to:				
- Owners of the Company	3,240	7,390	4,445	7,831
- Non-controlling interests	(105)	(10)	525	908
	3,135	**7,380**	**4,970**	**8,739**
Other selected financial data:				
PBT margin (%)(3)	15.55	26.61	15.84	20.08
PAT margin (%)(4)	10.46	20.49	10.09	13.96
Basic and diluted EPS (sen) (5)	1.20	2.74	1.65	2.90

	FYE			
	[(1)]2016	[(1)]2017	[(1)]2018	2019
	RM'000	RM'000	RM'000	RM'000
Selected combined statements of financial position:				
Non-current assets	27,038	32,032	45,767	49,412
Current assets	5,394	8,241	10,422	14,503
Total assets	**32,432**	**40,273**	**56,189**	**63,915**
Share capital	-	-	*	*
Invested equity	2,500	2,700	2,700	2,700
Reserves	9,722	13,639	18,094	19,958
Shareholders' funds/NA	**12,222**	**16,339**	**20,794**	**22,658**
Non-controlling interests	(1,354)	213	1,204	1,579
Total equity	**10,868**	**16,552**	**21,998**	**24,237**
Non-current liabilities	12,036	13,776	23,313	23,639
Current liabilities	9,528	9,945	10,878	16,039
Total liabilities	**21,564**	**23,721**	**34,191**	**39,678**
Net current liabilities	**4,134**	**1,704**	**456**	**1,536**

* Denotes RM1.00

Note:

(1) Depreciation expenses, other expenses and finance costs in the statements of profit and loss and other comprehensive income were restated in FYE 2016, FYE 2017 and FYE 2018 pursuant to the adoption of MFRS 16, Leases. MFRS 16, Leases introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The restatements arising from MFRS 16, Leases, consequently affects the balances reported in the statements of financial position where the Group is a lessee.

(2) Included in other expenses are initial public offering expenses of RM1.01 million in FYE 2018 and RM0.65 million in FYE 2019, respectively.

(3) Computed based on PBT divided by total revenue.

(4) Computed based on PAT divided by total revenue.

(5) Basic/diluted EPS is computed based on PATNCI divided by our enlarged number of issued shares of 270,000,000 shares after the IPO.

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12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our financial condition and results of operations for the FYE 2016, FYE 2017, FYE 2018 and FYE 2019 should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

This discussion and analysis contains data derived from forward-looking statements that involve risks and uncertainties. Future results may differ significantly from those stated in the forward-looking statements. Factors that may cause future results to differ significantly from those stated include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risks factors as set out in Section 9 of this Prospectus.

12.2.1 Overview of Our Business Operations

We are a provider of eye specialist services supported by our chain of 13 eye specialist centres in Malaysia. This includes one specialist hospital, 11 ambulatory care centres and one specialist clinic in Malaysia as at the LPD. Please refer to Section 12.2.2 of this Prospectus for the location of our Group's eye specialist centres.

Our business is categorised into two main categories below:

(i) Eye Specialist Services

Our eye specialist services cover:

(a) Refractive surgery comprising laser vision correction and implant vision correction;

(b) Treatment of eye diseases and disorders including cataract surgery and other eye medical treatment;

(c) Consultation and dispensary services comprising doctor consultation and medication; and

(d) Oculoplastic surgery.

(ii) Related Services

To complement our core services in eye specialist services, we also provide the following related services:

(a) Eye examinations; and

(b) Others (such as sales of optical wear and food products, consumables from surgery and medical treatments, procedures, administration fees and laboratory tests).

Our services are further explained below.

No.	Operating segment	Description
(i)	**Eye Specialist Services**	
(a)	Refractive surgery	Refractive surgery, a type of vision correction surgery, is used to reduce the need for eyewear and contact lenses. Within refractive surgery, we provide refractive surgery which comprise laser vision correction procedure and implant vision correction procedure as follows: **1. Laser vision correction procedures** (i) SMILE® is a minimally invasive surgery using a femtosecond laser to correct short-sightedness and astigmatism. As at the LPD, SMILE® procedure is only available at our eye specialist centre in TTDI. (ii) FemtoLASIK is a type of LASIK procedure performed by using two types of lasers, a femtosecond laser is used to create a corneal flap which is lifted up before the second laser, namely an excimer laser, is used to reshape the cornea to correct the refractive error. The flap is then folded back into place without stitches. As at the LPD, FemtoLASIK is available at our eye specialist centres in George Town, TTDI, Kuching and Johor Bahru. (iii) Surface laser treatments such as the advance surface ablation (ASA) involves removing the surface layer of the cornea (epithelium). This is followed by reshaping the surface of the cornea with an excimer laser. This type of procedure is commonly used for patients with thin corneas or high refractive error. As at the LPD, surface laser treatment is available at our eye specialist centres in George Town, TTDI, Kuching and Johor Bahru. (iv) Trans PRK is a type of refractive surgery that uses an excimer laser to reshape the cornea to correct vision such as short-sightedness, long-sightedness or astigmatism. As at the LPD, trans PRK is available at our eye specialist centres in TTDI and Bandar Sunway. In FYE 2013, we became the pioneer clinic in Malaysia to offer the SMILE® laser vision correction procedure. SMILE® is one of the latest technology of flapless surgical technique for LASIK surgeries from Carl Zeiss Sdn Bhd. **2. Implant vision correction procedure** Implant vision correction procedure (also known as ICL) is an alternative refractive surgery which involves inserting a lens into the eye to rectify refractive error. We carry out the ICL procedure for vision correction in all of our eye specialist centres with the exception of our specialist centre in Seremban.

No.	Operating segment	Description
(b)	Treatment of eye diseases and disorders	We also undertake treatment of eye diseases and disorders which comprise cataract surgery and other eye medical treatment: **1. Cataract surgery** Cataract surgery is one of the common surgical procedures for ageing patients. Cataract is defined as the clouding of the lens in the eye, making vision hazy and cloudy. In most cases, if left untreated, it could lead to a loss in vision and is the principal cause of blindness. Typically, cataract surgery is a procedure to remove the clouded lens and replace it with an IOL. We utilise femtosecond laser, a 'bladeless' procedure at our eye specialist centres. There are two main types of IOL used in cataract surgery and this includes: (i) monofocal lens implants which are used to correct either short-sightedness or long-sightedness; and (ii) multifocal lens implants which allow the eye to focus at different distances. Patients who use these types of lens do not need to rely on eye glasses and contact lenses after surgery. As at the LPD, cataract surgery is available in all of our eye specialist centres in Malaysia, with the exception of our specialist centre in Seremban. **2. Medical treatment of other eye diseases and disorders** We offer medical treatment to diagnose and treat disorders and diseases affecting the eyes and/or vision. Typically, the patient will need to consult the surgeon and undergo necessary eye assessment and evaluation for example visual acuity measurement and intraocular pressure check as well as other tests prior to any medical treatment. The disorders and diseases we treat include diabetic maculopathy, retinal vein occlusion, aged macular degeneration, conjunctivitis and glaucoma. As at the LPD, the above treatments are available in all of our eye specialist centres in Malaysia.
(c)	Consultation and dispensary services	**1. Consultation Services** All of our patients have to undergo consultations with our eye surgeons on their first visit. Consultation is part of our specialist services and it includes:

No.	Operating segment	Description
		(i) pre-operative consultation where our surgeons will discuss the eye conditions with patients, explain potential treatments or conduct further tests including screening, imaging and diagnostic tests prior to any prescribed treatment. Surgeons will then review the medical report with the patients for appropriateness of treatment, surgical procedures, and diagnosis. (ii) post-operative consultation where our surgeons will follow-up with patients as part of post-operative care. Typically, this includes the need for check-ups and evaluation to monitor the patient's healing process. **2. Dispensary Services** All of our specialist centres are licensed to prescribe and dispense ophthalmic medications on site at the respective eye specialist centres. Some of the ophthalmic medications include: (i) ocular lubricants; (ii) anti-inflammatory eyedrops or ointments; and (iii) antibiotic eyedrops or ointments.
(d)	Oculoplastic surgery	We also provide both functional and cosmetic treatment for disorders around the eye. This primarily involves procedures on the eyelids and eyebags. As at the LPD, we carry out oculoplastic surgery in our eye specialist centres in George Town, TTDI and Kuching.
(ii)	**Related Services**	
(a)	Eye examinations	All eye examinations are performed by our in-house optometrists. As at the LPD, we have a team of 33 registered optometrists.
(b)	Others	Others include sales of optical wear and food products, consumables from surgery and medical treatments, procedures, administration fees and laboratory tests. Food products relate to the marketing of our own brand of food products under the brand name "Optixanthin". Laboratory tests are usually undertaken by external parties.

Revenue from our services above are recognised upon the completion of services rendered and sale of the product. Fees charged to our patients vary depending on the type of consultation and treatment procedures, types of imaging performed, length of consultation, and the complexity of the surgeries and treatment procedures.

During the Period under Review, 100% of our revenue was derived in Malaysia.

Our revenue is mainly dependent on the following factors:

(i) nature, type, duration and complexity of consultation and treatment procedures;

(ii) demand factor from patients as a result of individual preferences and needs, changing environments and lifestyle, requirements and/or affordability;

(iii) our ability to maintain a good reputation in the eye specialist services sector;

(iv) our ability to attract and retain experienced and qualified specialist doctors; and

(v) changes in government policies and regulations.

On 25 October 2004, we were assessed and certified by the Independent European Certification Limited with ISO 9001:2000 as a provider of refractive surgery services. ISO 9001:2000 was revised in 2008 to ISO 9001:2008 where we have been assessed and certified by Independent European Certification (M) Sdn Bhd, a partner of Independent European Certification Limited in Malaysia, which was valid until 1 September 2018. In 2015, ISO 9001:2008 has been further revised by ISO 9001: 2015, which we have obtained and is valid until 28 November 2020.

ISO 9001:2015 specifies requirements for a quality management system when an organisation:

(i) needs to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and

(ii) aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

The certification scope of the ISO 9001:2015 certification obtained by OESC is as a provider for refractive surgery services.

Moving forward, we will continue to focus on our core competencies in providing eye specialist services and expand our market access in terms of geographical locations within Malaysia. We also plan to build more ambulatory care centres to leverage on our existing expertise in providing eye specialist services.

We have entered into a conditional sales and purchase agreement on 1 December 2019 to purchase two units of three-storey mid and end terraced shop/offices in Seremban (which are currently being tenanted by our Group to operate our specialist clinic in Seremban) which we intend to establish as an ambulatory care centre. Renovations are expected to complete in the third quarter of 2020 and we envisage that it will take up to six months for us to obtain our ambulatory care centre licence before it can be operational as an ambulatory care centre by the fourth quarter of 2020. However, the timing above is subject to the renovation process as well as the timeline required for the approval and issuance of the ambulatory care centre licence provided by the relevant authorities. As at the LPD, the renovations are still on-going.

Please refer to Section 7.24 of this Prospectus for further details on our future plans and strategies.

12.2.2 Recent developments during FYE 2019 and up to the LPD

For FYE 2019 and up to the LPD, as part of our on-going efforts to streamline our group structure and align the interests of our doctors and our shareholders, we have undertaken the following:

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(i) Incorporation of a new subsidiary, Optixanthin

Optixanthin was incorporated in Malaysia on 27 June 2019 and is involved in the marketing of food products under the brand name "Optixanthin". The company commenced its business on 28 August 2019.

On 29 August 2019, the Group subscribed to 90 ordinary shares representing 90% of the equity interest in Optixanthin at a consideration of RM90. The remaining shares are held and owned by our pharmacist, Low Mong Ying.

(ii) Changes in ownership interests in subsidiaries

Date of transfer	Subsidiary	Effective equity interest before the transaction (%)	Effective equity interest after the transaction (%)	Consideration (RM)	Remarks
30 September 2019	OESC Kuching	70	100	90,000	We acquired the remaining 30% interest in OESC Kuching for RM90,000 in cash, increasing our ownership from 70% to 100%. The purchase consideration of RM1 per share is the issued share capital per share of OESC Kuching.

(iii) Pre-IPO Exercise

Our Company was incorporated in Malaysia under the Act on 9 August 2018 as a private limited company under the name of Optimax Holdings Sdn Bhd. We were incorporated as an investment holding company to facilitate our Listing.

In conjunction with and as an integral part of our Listing, on 8 January 2020, we entered into the Acquisition SSA for the acquisition of OESC. On 20 January 2020, our Company was converted to a public limited company and assumed our present name, Optimax Holdings Berhad. The Pre-IPO Exercise was completed on 15 June 2020.

Please refer to Section 6.3 of this Prospectus for the background and history of our Group.

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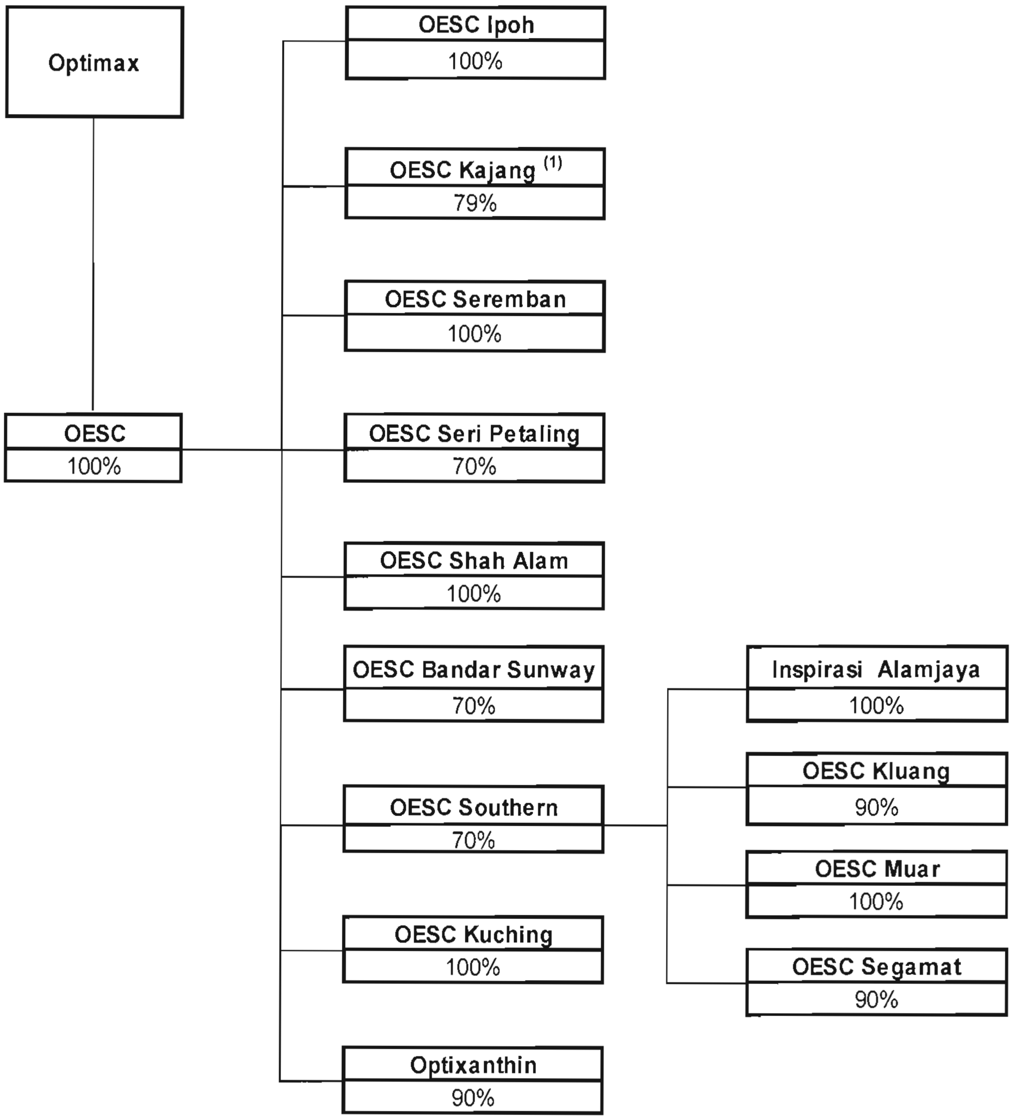
Our Group structure as at 15 June 2020 is as set out below:



Note:
(1) OESC Kajang ceased its operations since FYE 2012.

Save for Optixanthin, the remaining equity interest in our subsidiaries which are not held by our Group are held by our employee doctors. The Board is of the view that this corporate structure increases our Group's ability to attract, retain and motivate the doctors.

Our subsidiaries are the legal entities which own and operate our eye specialist centres. As at the LPD, we have 13 eye specialist centres located across Malaysia which comprise one specialist hospital, 11 ambulatory care centres and one specialist clinic. Our specialist clinic located in Seremban is currently undergoing renovations as part of its conversion into an ambulatory care centre.

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Our subsidiaries which own and operate these eye specialist centres are as set out below:

No.	Owner and operator	Eye specialist centre address	Eye specialist centre status	Geographical Region
1.	OESC	Ground Floor, No. 223, Jalan Masjid Negeri, 11600 George Town, Pulau Pinang. ("**Penang Hospital**")	Hospital	North
2.		No. 17 and 19, Jalan Bayu Tinggi 7, 41200 Klang, Selangor. ("**Klang Branch**")	Ambulatory care centre	Central
3.		Unit 2-2-1, Bangunan AHP, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur. ("**TTDI Branch**")	Ambulatory care centre	Central
4.	OESC Ipoh	Ground Floor, No. 1, Jalan Dato' Khong Kam Tak, Off Jalan Tambun, 31400 Ipoh, Perak. ("**Ipoh Branch**")	Ambulatory care centre	North
5.	OESC Seremban	No. 141 and 142, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan. ("**Seremban Branch**")	Specialist clinic (1)	Central
6.	OESC Seri Petaling	Ground Floor, No. 145, Jalan Radin Bagus, Seri Petaling, 57000 Kuala Lumpur. ("**Seri Petaling Branch**")	Ambulatory care centre	Central
7.	OESC Shah Alam	No. 50-G & 52-G, Blok 3, Jalan Pahat G 15/G, Dataran Otomobil, Seksyen 15, 40200 Shah Alam, Selangor. ("**Shah Alam Branch**")	Ambulatory care centre	Central
8.	OESC Bandar Sunway	Ground Floor, No. 11, Jalan PJS 11/28B, Bandar Sunway, 46150 Petaling Jaya, Selangor. ("**Bandar Sunway Branch**")	Ambulatory care centre	Central
9.	Inspirasi Alamjaya(2)	Ground Floor, No. 53 & 55, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor Bahru, Johor. ("**Johor Bahru Branch**")	Ambulatory care centre	South
10.	OESC Kluang(2)	Ground Floor, No. 43 & 44, Jalan Haji Manan, 86000 Kluang, Johor. ("**Kluang Branch**")	Ambulatory care centre	South

No.	Owner and operator	Eye specialist centre address	Eye specialist centre status	Geographical Region
11.	OESC Muar[(2)]	Ground Floor, No. 1-5 & 1-6, Jalan Ismail, 84000 Muar, Johor. ("**Muar Branch**")	Ambulatory care centre	South
12.	OESC Segamat[(2)]	Ground Floor, No. 49B & 49C, Jalan Genuang, 85000 Segamat, Johor. ("**Segamat Branch**")	Ambulatory care centre	South
13.	OESC Kuching	Ground Floor, No. 59 & 61, Jalan Tun Jugah, 93250 Kuching, Sarawak. ("**Kuching Branch**")	Ambulatory care centre	East Malaysia

Note:

(1) In the process of conversion to an ambulatory care centre.

(2) Held via OESC Southern.

Please refer to below Section 12.2.4.1 for our revenue breakdown by geographical locations.

12.2.3 Significant Factors Affecting our Financial Condition and Results of Operations

Our financial position and results of operations for the Period under Review have been affected by the following significant factors:

(i) Number of operational eye specialist centres and number of ophthalmologists

The level of our revenue is dependent on the number of operational eye specialist centres in our Group. As at the LPD, our specialist centres include one specialist hospital, 11 ambulatory care centres and one specialist clinic in Malaysia.

Our revenue growth from FYE 2016 to FYE 2019 was mainly due to the expansion of our geographical presence in Malaysia from the opening of several new eye specialist centres and acquisition of eye specialist centres into our Group. Please refer to Section 12.2.4.1 of the Prospectus for the analysis of revenue of our Group.

We also rely on our ophthalmologists to perform a range of eye specialist services from diagnosis to treatment including medical and surgical procedures. As at the LPD, we have 18 ophthalmologists (comprising 11 employee doctors and seven consultant doctors) across our 13 eye specialist centres (save for our Seremban Branch). We currently do not have any ophthalmologists at our Seremban Branch as it is currently being renovated as part of our efforts to convert this specialist centre in Seremban from a specialist clinic to an ambulatory care centre. As at the LPD, this eye specialist centre is still operational but only provides consultation and dispensary services, and eye examinations. The renovation works is expected to be completed by the third quarter of 2020 and is expected to be operational as an ambulatory care centre by the fourth quarter of 2020 when we have obtained the ambulatory care centre licence from MOH.

Our operations are also reliant on certain approvals, licences, permits and certificates which includes licences and certificates granted by the MOH to us and registrations with MOH which our doctors are required to obtain to operate and provide eye specialist services under our specialist hospital, ambulatory care centres and specialist clinics and the validity of some of these approvals, licences, permits and certificates are subject to periodical renewal. Please refer to Section 9.1.1 of this Prospectus for further details on the risk relating to the above.

(ii) Demand for our Eye Specialist Services

The factors of demand for our eye specialist services are:

- advancing age as well as lifestyle and other factors including diabetes, hypertension, smoking and obesity may cause eye disorders placing demand for eye care services;

- size of the general and aging population (in general, an increase in population will lead to higher demand for eye specialist services. Rising levels of aging population are also likely to increase demand for eye specialist services as risk of eye diseases and disorders such as cataracts increases as an individual gets older);

- prevalence of lifestyle diseases (some lifestyle diseases like hypertension, obesity and type two diabetes, as well as diseases associated with smoking are contributory causes to eye disorders); and

- increase in popularity of Malaysia as a healthcare destination.

For further information on the factors that contribute to the demand of our eye specialist services, please refer to Section 5 of the IMR Report.

(iii) Fluctuation in costs

As a services provider, our operations are subject to increase in expenses due to a number of factors including, but not limited to the following:

(a) increase in inventories and consumables cost mainly from drugs and medicine, and consumables;

(b) increase in depreciation expenses mainly from operation equipment under PPE and right-of-use assets for leased buildings arising from the adoption of MFRS 16 – Leases;

(c) increase in finance costs which mainly comprise interest expenses incurred on term loans, lease liabilities, hire purchase liabilities and bank overdrafts;

(d) increase in other expenses mainly from selling and marketing expenses such as advertising expenses, bank charges as well as administrative expenses;

(e) increase in staff costs mainly from director fees, wages, salaries (including Director's remuneration) and contributions to EPF; and

(f) changes in statutory laws, regulations or government policies which could lead to an increase in the cost of compliance with such laws, regulations or policies.

The primary categories for the Group's costs of operations as explained above are shown in the table below:

	FYE			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
(a) Inventories and consumables	6,126	8,261	10,553	12,875
(b) Depreciation expenses				
Under PPE	2,735	2,451	3,595	3,902
Under right-of-use assets	1,016	1,275	1,729	1,740
	3,751	3,726	5,324	5,642
(c) Finance costs	683	897	1,244	1,461
(d) Other expenses	3,840	4,244	6,160	6,587
(e) Staff costs	11,768	12,204	18,266	23,617

Any material increase in operating expenses will affect our profit margin if we cannot increase the price of our services. Additionally, even if we are able to increase the prices of our services, the demand for our products may in turn be adversely affected. As a result, our business and results of operations could be materially and adversely affected.

We also experienced an increase in expenses due to costs associated to the Listing. In FYE 2018 and FYE 2019, we recognised initial public offering expenses of approximately RM1.01 million and RM0.65 million, respectively.

(iv) Competition in the private eye specialist industry in Malaysia

The eye specialist industry is subject to competition. Failure to compete and differentiate our services and operations against these competitors will result in lower market share, which will adversely affect our revenue and hence, our profitability. Please refer to Section 6 of the IMR Report on the competitive landscape affecting this industry.

(v) Prevailing political, economic and regulatory conditions in Malaysia

The nature of our business and the local private healthcare facilities industry are subject to prevailing political, economic and regulatory conditions in Malaysia. Any adverse changes in political, economic and regulatory conditions and requirements such as changes in government's policies and regulations in relation to the healthcare facilities and professionals could adversely affect our Group's operations and business.

(vi) The spread or outbreak of COVID-19

The spread or outbreak of COVID-19 or any contagious or virulent diseases may potentially affect our financial position and results of operations. Based on our limited period of review from January to April 2020, the number of surgeries performed by our Group in the aforesaid period during which Malaysia has been affected by the COVID-19 outbreak and the MCO tends to indicate that our business was mainly affected by the MCO with less impact due to the COVID-19 outbreak.

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The number of refractive surgeries and cataract surgeries declined significantly during the MCO Period (i.e. from 18 March 2020 to 3 May 2020) due to the deferment of surgeries as well as the temporary closure of several of our specialist centres as part of the preventive measures undertaken by our Group during the MCO Period. This will have a negative impact on the revenue and profitability of our Group in particular for the three-month financial period ended 30 June 2020.

During April 2020, of which the entire month was impacted by the MCO, we generated significantly less revenue as compared to the first three months of FYE 2020 while a portion of our costs continue to accrue. The major cost items which continue to be accrued for April 2020 include:

(i) Staff cost;

(ii) Depreciation expenses;

(iii) Finance cost; and

(iv) Other expenses (includes sales and marketing expenses, administration and office expenses, initial public offering expenses, professional fees and insurance).

The cost items listed from (i) to (iv) above totalled approximately RM2.39 million for April 2020.

Expenses in relation to inventories and consumables were minimal as these expenses are directly correlated to the number of treatments or procedures performed. In addition, as the compensation structure of our doctors generally includes a variable portion where they are paid a share of the consultation fee or a fixed fee for each treatment performed, the decrease in revenue is also accompanied by a decrease in staff cost to a certain extent.

Nonetheless, with the easing and relaxation of certain restrictions under the MCO, its extension under the CMCO from 4 May 2020 until 9 June 2020 and the RMCO from 10 June 2020 until 31 August 2020, we have seen a gradual recovery in the number of patients, including patients for refractive surgeries and cataract surgeries who were earlier advised to postpone their procedures until after the MCO.

Please refer to the risk factors as set out in Section 9 of this Prospectus for a more comprehensive discussion of the above and other factors that may affect our financial performance.

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12. FINANCIAL INFORMATION

12.2.4 Review of Operations

12.2.4.1 Revenue

The total revenue achieved for the FYE 2016, FYE 2017, FYE 2018 and FYE 2019 is set out below:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	29,962	36,015	49,234	62,619

As an eye specialist service provider, our principal sources of revenue are derived from our Eye Specialist Services which contributed more than 90% to our Group's revenue for each financial year under review. Our remaining revenue is derived from Related Services, which is supportive and complementary to our Eye Specialist Services.

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12. FINANCIAL INFORMATION

The breakdown of the Group's revenue by services segments is as follows:

		FYE							
		2016		2017		2018		2019	
	Eye Specialist Services	**RM'000**	%	**RM'000**	%	**RM'000**	%	**RM'000**	%
(i)	**Treatment of eye diseases and disorders**	**8,694**	***29.02***	**11,788**	***32.73***	**20,692**	***42.03***	**26,724**	***42.68***
	- Cataract surgery	7,741	*25.84*	10,179	*28.26*	17,191	*34.92*	21,403	*34.18*
	- Medical treatment of other eye diseases and disorders	953	*3.18*	1,609	*4.47*	3,501	*7.11*	5,321	*8.50*
(ii)	**Refractive surgery**	**13,731**	***45.82***	**16,386**	***45.50***	**18,478**	***37.53***	**22,985**	***36.71***
	- Laser vision correction	13,394	*44.70*	15,729	*43.68*	17,583	*35.71*	22,032	*35.19*
	- Implant vision correction	337	*1.12*	657	*1.82*	895	*1.82*	953	*1.52*
(iii)	**Consultation and dispensary services**	**3,307**	***11.04***	**4,136**	***11.48***	**6,904**	***14.02***	**9,450**	***15.09***
	- Consultation services	2,235	*7.46*	2,805	*7.78*	4,548	*9.23*	6,192	*9.89*
	- Dispensary services	1,072	*3.58*	1,331	*3.70*	2,356	*4.79*	3,258	*5.20*
(iv)	**Oculoplastic surgery**	**1,342**	***4.48***	**1,472**	***4.09***	**1,466**	***2.98***	**978**	***1.56***
	Sub-total	**27,074**	***90.36***	**33,782**	***93.80***	**47,540**	***96.56***	**60,137**	***96.04***

		FYE							
		2016		2017		2018		2019	
	Related Services	**RM'000**	%	**RM'000**	%	**RM'000**	%	**RM'000**	%
(v)	**Eye examinations**	**2,475**	***8.26***	**1,677**	***4.66***	**1,027**	***2.08***	**1,731**	***2.76***
(vi)	**Others**	**413**	***1.38***	**556**	***1.54***	**667**	***1.36***	**751**	***1.20***
	- Optical wear	164	*0.55*	178	*0.49*	357	*0.73*	276	*0.44*
	- Consumables	110	*0.37*	177	*0.49*	281	*0.57*	365	*0.58*
	- Procedures	72	*0.24*	106	*0.29*	13	*0.03*	52	*0.08*
	- Administration	43	*0.14*	79	*0.22*	12	*0.02*	17	*0.03*
	- Laboratory tests	24	*0.08*	16	*0.05*	4	*0.01*	18	*0.03*
	- Food products	-	-	-	-	-	-	23	*0.04*
	Sub-total	**2,888**	***9.64***	**2,233**	***6.20***	**1,694**	***3.44***	**2,482**	***3.96***
	Total	**29,962**	***100.00***	**36,015**	***100.00***	**49,234**	***100.00***	**62,619**	***100.00***

The largest revenue contributor to our Group (for the FYE 2018 and FYE 2019) is our treatment of eye diseases and disorders segment which accounted for 29.02%, 32.73%, 42.03% and 42.68% of our revenue in FYE 2016, FYE 2017, FYE 2018 and FYE 2019 respectively. Treatment of eye diseases and disorders comprise cataract surgery and medical treatment of other eye diseases and disorders. Cataract surgery accounted for more than 80% of our revenue from treatment of eye diseases and disorders for the Period under Review.

Refractive surgery is the second largest revenue contributor to our Group (for the FYE 2018 and FYE 2019) and accounted for 45.82%, 45.50%, 37.53% and 36.71% of our revenue in FYE 2016, FYE 2017, FYE 2018 and FYE 2019, respectively. Our refractive surgeries comprise laser vision correction and implant vision correction. Laser vision correction is the major revenue contributor to our Group under refractive surgery and accounted for more than 95% of our revenue from refractive surgery for the Period under Review (the remainder being revenue from implant vision correction).

Our eye specialist centres have been geographically categorised into four regions as set out below:

Geographical region	Eye specialist centres
North Malaysia	Ipoh Branch and Penang Hospital
Central Malaysia	Klang Branch[(1)], Seremban Branch[(1)], Seri Petaling Branch, Shah Alam Branch, Bandar Sunway Branch and TTDI Branch
South Malaysia	Kluang Branch, Muar Branch, Segamat Branch and Johor Bahru Branch
East Malaysia	Kuching Branch

Note:

(1) During FYE 2018, we commenced the conversion of our eye specialist clinics in Klang and Seremban into ambulatory care centres. The renovation and upgrading works at the Klang Branch have been completed in December 2019 while the Seremban Branch is expected to be completed by the third quarter of 2020.

In relation to the Klang Branch, OESC received its licence as a private ambulatory care centre on 10 March 2020 (which is valid from 17 February 2020 to 16 February 2022). Accordingly, as at the LPD and for the FYE 2020, the Klang Branch is able to provide eye specialist services to its customers. Before its conversion, our Klang branch was operating as a specialist clinic and only provided consultation and dispensary services, and eye examinations.

Our Seremban Branch is expected to commence operations as an ambulatory care centre by the fourth quarter of 2020. Currently, our Seremban Branch is still operational but only to provide consultation and dispensary services, and eye examinations.

The breakdown of our revenue based on the geographical locations of the services we provide is as follows:

	FYE							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Penang Hospital [(1)]	7,304	*24.38*	8,076	*22.43*	8,504	*17.27*	10,214	*16.31*
Ipoh Branch	-	-	8	*0.02*	26	*0.05*	128	*0.20*
North Malaysia	**7,304**	***24.38***	**8,084**	***22.45***	**8,530**	***17.32***	**10,342**	***16.51***
TTDI Branch [(1)]	17,310	*57.77*	19,358	*53.75*	21,306	*43.27*	24,073	*38.44*
Bandar Sunway Branch	-	-	2,205	*6.12*	3,624	*7.36*	5,789	*9.24*
Seri Petaling Branch	-	-	139	*0.39*	2,264	*4.60*	3,782	*6.04*
Seremban Branch	1,054	*3.52*	747	*2.07*	629	*1.28*	555	*0.89*
Shah Alam Branch	1,880	*6.27*	1,770	*4.92*	2,132	*4.33*	2,467	*3.94*
Klang Branch [(1)]	373	*1.25*	405	*1.12*	517	*1.05*	734	*1.17*
Optixanthin [(2)]	-	-	-	-	-	-	23	*0.04*
Central Malaysia	**20,617**	***68.81***	**24,624**	***68.37***	**30,472**	***61.89***	**37,423**	***59.76***
Muar Branch [(3)]	-	-	-	-	4,415	*8.97*	3,160	*5.05*
Johor Bahru Branch	-	-	689	*1.91*	2,713	*5.51*	3,343	*5.34*
Segamat Branch	-	-	-	-	506	*1.03*	2,656	*4.24*

	FYE							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Kluang Branch	-	-	-	-	84	*0.17*	2,765	*4.42*
South Malaysia	**-**	**-**	**689**	***1.91***	**7,718**	***15.68***	**11,924**	***19.05***
East Malaysia[(4)]	**2,041**	***6.81***	**2,618**	***7.27***	**2,514**	***5.11***	**2,930**	***4.68***
Total	29,962	*100.00*	36,015	*100.00*	49,234	*100.00*	62,619	*100.00*

Note:

(1) The owner and operator of the Penang Hospital, TTDI Branch, and Klang Branch is OESC.

(2) Revenue from Optixanthin was generated through the distribution and sales of our food products by our various specialist centres within the Group. However, the Group has accounted for the revenue from Optixanthin to be derived solely from Central Malaysia, based on the principal place of business of Optixanthin (Seri Petaling, Kuala Lumpur).

(3) On 31 December 2016, Visual Series Sdn Bhd (now known as OESC Muar), entered into an asset purchase agreement with Lam Eye Specialist and Laser Center Sdn Bhd to acquire the assets of Lam Eye Specialist and Laser Center Sdn Bhd for a purchase consideration of RM1.2 million. However, we only started to recognise revenue from our Muar Branch in FYE 2018 (as opposed to service fees under "Other Income" in FYE 2017) after the receipt of the ambulatory care centre licence in the fourth quarter of 2017 with OESC Muar as the registered licence holder. Please refer to Section 12.2.4.2 of this Prospectus for further details on Other Income.

(4) Only comprises the Kuching Branch.

Our Group primarily evaluates the performance of the specialist centres by revenue, as well as the number of surgeries conducted.

Commentary:

FYE 2016 vs FYE 2017

Our revenue grew by 20.20% from RM29.96 million in FYE 2016 to RM36.02 million in FYE 2017 mainly due to the following reasons:

(i) increase in revenue from our existing specialist centres of RM3.01 million. The main revenue contributors were from our Penang Hospital, TTDI Branch and Kuching Branch. The increase in revenue was mainly due to the increase in revenue from laser vision correction procedures (under refractive surgery) and cataract surgeries (under treatment of eye diseases and disorders).

For laser vision correction procedures, although we did not report a growth in the number of laser vision correction procedures from our existing specialist centres in FYE 2017 (FYE 2017: 2,726 surgeries; FYE 2016: 2,803), we reported an increase in revenue mainly due the higher average revenue per eye for laser vision correction procedures attributable to the increase in the number of SMILE® laser vision correction procedures performed. SMILE® is a minimally invasive surgery using a femtosecond laser to correct short-sightedness and astigmatism, and is one of the latest technology of flapless surgical technique for LASIK surgeries from Carl Zeiss Sdn Bhd.

For cataract surgeries, our increase in revenue was mainly due to the higher average revenue per eye for cataract surgery.

(ii) revenue contribution of RM3.04 million from our newly acquired eye specialist centres during FYE 2017 (as disclosed in Section 6.1.1 of this Prospectus). The main contributors are from our Bandar Sunway Branch and Johor Bahru Branch. The revenue contribution was mainly due to the cataract surgeries (under treatment of eye diseases and disorders).

For FYE 2016 and FYE 2017, refractive surgery was our largest revenue contributor to our Group and accounted for 45.82% and 45.50% of our revenue in FYE 2016 and FYE 2017, respectively. Treatment of eye diseases and disorders was our second largest revenue contributor to our Group and accounted for 29.02% and 32.73% of our revenue in FYE 2016 and FYE 2017, respectively.

In terms of number of surgeries, we performed 3,106 number of laser vision correction procedures in FYE 2017 (FYE 2016: 2,803), and 1,911 number of cataract surgeries in FYE 2017 (FYE 2016: 1,537). The increased number of cataract surgeries in FYE 2017 was mainly attributed to by our newly acquired eye specialist centres during FYE 2017.

The other newly acquired eye specialist centres, namely, OESC Ipoh and OESC Seri Petaling did not contribute materially to our Group's revenue for the FYE 2017. We also did not recognise revenue from our Muar Branch for the FYE 2017 until after the receipt of its ambulatory care centre licence in the fourth quarter of 2017.

FYE 2017 vs FYE 2018

Our revenue grew further by 36.70% to RM49.23 million in FYE 2018 mainly due to the following reasons:

(i) increase in revenue from our existing specialist centres of RM8.21 million. The main revenue contributors were from our Penang Hospital, TTDI Branch and Bandar Sunway Branch. The increase in revenue was mainly due to the increase in revenue from cataract surgeries (under treatment of eye diseases and disorders).

We were also able to recognise the full financial year revenue from our Johor Bahru Branch and Seri Petaling Branch in FYE 2018. The revenue contribution from these specialist centres were mainly from cataract surgeries (under treatment of eye diseases and disorders).

The increased revenue from cataract surgeries was mainly due to the higher number of surgeries performed.

(ii) in addition, we also started to recognise revenue from our Muar Branch in FYE 2018 (as opposed to service fees under "Other Income" in FYE 2017) after the receipt of the ambulatory care centre licence in the fourth quarter of 2017 with OESC Muar as the registered licence holder. Please refer to Section 12.2.4.2 of this Prospectus for further details on "Other Income". The revenue contribution from the Muar Branch was RM4.42 million and was mainly generated from cataract surgeries (under treatment of eye diseases and disorders); and

(iii) revenue contribution of RM0.59 million from our newly established eye specialist centres during FYE 2018, namely our Kluang Branch and Segamat Branch. The revenue contribution was mainly attributed to the cataract surgeries (under treatment of eye diseases and disorders).

For FYE 2016 and FYE 2017, refractive surgery was our largest revenue contributor. However, in recent years, i.e. FYE 2018 and FYE 2019, treatment of eye diseases and disorders have become our largest revenue contributor. This is mainly attributable to the increase in our number of eye specialist centres. As at the LPD, we carry out cataract surgery and refractive surgery in all of our eye specialist centres in Malaysia (save for our specialist centre in Seremban). However, as at the LPD, only our Penang Hospital, Bandar Sunway Branch, TTDI Branch, Johor Bahru Branch and Kuching Branch offer laser vision correction (under refractive surgery). We do not offer laser vision correction in all our eye specialist centres as it requires additional equipment and increased capital expenditure. Therefore, over the Period under Review, the growth in revenue from our treatment of eye diseases and disorders segment have surpassed the growth of our refractive surgery segment resulting in it being our largest revenue contributor.

In terms of number of surgeries, we performed 3,457 number of cataract surgeries in FYE 2018 (FYE 2017: 1,911) and 3,136 number of laser vision correction procedures in FYE 2018 (FYE 2017: 3,106).

The increased number of cataract surgeries in FYE 2018 were due to the increased number of cataract surgeries performed in our existing eye specialist centres as well as our newly established specialist centres.

Although we reported a minimal growth in the number of laser vision correction procedures in FYE 2018 (FYE 2018: 3,136 surgeries; FYE 2017: 3,106 surgeries), we reported an increase in revenue mainly due the higher average revenue per eye for laser vision correction procedures attributable to the increase in the number of SMILE® laser vision correction procedures performed. SMILE® is a minimally invasive surgery using a femtosecond laser to correct short-sightedness and astigmatism, and is one of the latest technology of flapless surgical technique for LASIK surgeries from Carl Zeiss Sdn Bhd.

FYE 2018 vs FYE 2019

Our revenue grew by 27.19% from RM49.23 million in FYE 2018 to RM62.62 million in FYE 2019 mainly due to the following reasons:

(i) increase in revenue from several of our existing specialist centres of RM7.94 million. The main revenue contributors were from our Penang Hospital, TTDI Branch and Bandar Sunway Branch. The increase in revenue was mainly due to the increase in revenue from cataract surgery (under treatment of eye diseases and disorders) and laser vision correction procedures (under refractive surgery) from FYE 2018 to FYE 2019 which accounts for 34.18% and 35.19% of the total revenue in FYE 2019, respectively.

(ii) contribution of revenue of RM5.42 million mainly from our newly established eye specialist centres during FYE 2018, namely our Kluang Branch and Segamat Branch (on 17 December 2018 and 1 November 2018, respectively[(1)]). The contribution of revenue was mainly due to the cataract surgeries (under treatment of eye diseases and disorders).

Note:
(1) While these specialist centres were established during FYE 2018, it was only operational in the last two months of the year. Therefore, we were only able to recognise the full financial year revenue from our Kluang Branch and Segamat Branch in FYE 2019.

In terms of number of surgeries, we performed 4,136 number of cataract surgeries in FYE 2019 (FYE 2018: 3,457). This as mainly attributable to the increase in our number of eye specialist centres following the opening of our Segamat Branch and Kluang Branch on 1 November 2018 and 17 December 2018, respectively.

In FYE 2019, we performed 3,890 number of laser vision correction procedures (FYE 2018: 3,136). The increased number of cataract surgeries in FYE 2019 were due to the increased number of cataract surgeries performed in our existing eye specialist centres, in particular our TTDI Branch, Penang Hospital and Johor Bahru Branch.

Our revenue is derived from the services provided by our eye specialist centres. For the Period under Review, 100% of our revenue was derived from Malaysia.

12.2.4.2 Other income

Our other income breakdown is as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Administration fees	145	-	37	39
Service fees	2	2,548	-	-
Insurance claim	693	379	-	-
Gain on disposal of fixed assets	3	-	13	-
Gain on derecognition of right-of-use of assets	-	-	-	23
Others	[(1)]26	[(2)]6	[(3)]44	[(4)]25
Total	**869**	**2,933**	**94**	**87**

Note:
(1) Others in FYE 2016 comprise rental of offices to consultant doctors.
(2) Others in FYE 2017 comprise supplier sponsorship for marketing events.
(3) Others in FYE 2018 comprise waiver of debt by OESC Ampang (which was disposed of and subsequently struck off).
(4) Others in FYE 2019 mainly comprise the repayment of misappropriated funds by one of our former employees and supplier sponsorship for a marketing event.

The incident relating to the misappropriation of funds occurred in 2016 due to the lack of segregation of duties in ensuring refund transactions to customers were undertaken legitimately. After this misappropriation was discovered in the same year, the Group reviewed and implemented a change to their standard operating procedure by having another person to independently verify the legitimacy of refund transactions to customers. The funds that were misappropriated (by one of the Group's former employee) has been fully repaid by the said employee.

Other income comprises mainly the following:

(i) Administration fees relate to fees charged to potential customers due to the cancellation of procedures or treatments after the payment of deposit, management fees related to administrative and accounting matters provided to an external party and the payment of administrative fees by Sena Letrik and Sena Project Management to OESC for the provision of human resources services. The latter has been disclosed as a related party transaction in Section 10.1.1 of this Prospectus.

(ii) Service fees received in relation to OESC Muar's acquisition of the assets of Lam Eye Specialist and Laser Center Sdn Bhd. On 31 December 2016, we, via Visual Series Sdn Bhd (now known as OESC Muar), entered into an asset purchase agreement to acquire the assets of Lam Eye Specialist and Laser Center Sdn Bhd for a purchase consideration of RM1.2 million.

Pending the receipt of the ambulatory care centre licence for the Muar Branch with OESC Muar as the registered licence holder, we entered into an arrangement with Lam Eye Specialist and Laser Center Sdn Bhd where OESC Muar will provide procurement, management and administrative services to Lam Eye Specialist and Laser Center Sdn Bhd for a service fee which is computed based on the total revenue of the business. Essentially, we provided procurement, management and administrative services to the specialist centre operated under the ambulatory care centre licence of Lam Eye Specialist and Laser Center Sdn Bhd. Accordingly, the financial contribution from these assets have been recognised as service fees under "Other Income" for the FYE 2017. The costs associated with the operation of this specialist centre was borne by the Group. We started to recognise revenue from our Muar Branch (as opposed to service fees) in FYE 2018 after the receipt of the ambulatory care centre licence in the fourth quarter of 2017 with OESC Muar as the registered licence holder.

The revenue of OESC Muar was generated mainly from Cataract surgery which contributed 73.73% of OESC Muar's revenue for the FYE 2017.

There were no service fees recognised in FYE 2018 and FYE 2019.

(iii) Insurance claims which have been received from insurers in relation to the following:

FYE	Amount (RM'000)	Details
2016	693	Mainly related to a fire accident which started from faulty air-conditioning wiring in the staff lounge located on the first floor of the Penang Building on 11 November 2014 ("**Penang Fire Accident**)
2017	379	Mainly related to further insurance claims received from our insurers in relation to the Penang Fire Accident.

As at the LPD, we do not have any pending insurance claims which we expect to receive.

(iv) Gain on derecognition of right-of-use assets as we ceased the rental of a property which was used previously as our office in Seri Petaling in December 2019.

FYE 2016 vs FYE 2017

Our Group's other income increased significantly by 237.51% from RM0.87 million in FYE 2016 to RM2.93 million in FYE 2017. The increase was mainly due to the recognition of service fees received from the operations of the Muar Branch as elaborated above.

FYE 2017 vs FYE 2018

Other income for FYE 2018 declined significantly to approximately RM94,000 (FYE 2017: RM2.93 million) as there were no insurance claims and service fees received in relation to the Muar Branch. We started to recognise revenue from our Muar Branch (as opposed to service fees) in FYE 2018 after the receipt of the ambulatory care centre licence in the fourth quarter of 2017 with OESC Muar as the registered licence holder.

FYE 2018 vs FYE 2019

Our Group's other income remained relatively unchanged between FYE 2018 and FYE 2019 (FYE 2018: RM94,000; FYE 2019: RM87,000). The other income for FYE 2019 was mainly derived from management fees related to administrative and accounting matters provided to an external party, and a gain on derecognition of right-of-use assets (as elaborated above).

12.2.4.3 Inventories and consumables

The breakdown of our inventories and consumables is as follows:

	FYE			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Drugs and medicine (1)	883	1,150	1,442	2,605
Spectacles (2)	44	64	101	78
Consumables (3)	4,706	6,488	8,272	9,543
Medical fee for patients (4)	3	2	27	26
Gases for laser machine	154	176	135	170
Operation equipment maintenance (5)	261	301	390	320
Operation theatre maintenance for facilities (6)	75	80	186	133
Total	**6,126**	**8,261**	**10,553**	**12,875**

Note:

(1) Includes eye drops and other medications for eye examinations, surgeries, treatments and prescriptions.

(2) Includes glasses, frames, lens and edging cost (which is the cost to edge lenses to fit into the glasses frame).

(3) Includes surgical kits, medical supplies and consumables used in eye examinations, surgeries or treatments.

(4) *Includes outsourcing of laboratory tests (i.e. the cost for the laboratory tests carried out by external parties).*

(5) *Includes materials and services purchased in relation to the maintenance of our eye examinations and surgical equipment.*

(6) *Includes materials and services purchased for maintenance of operation theatres and its facilities.*

FYE 2016 vs FYE 2017

Inventories and consumables increased by 34.85% from RM6.13 million in FYE 2016 to RM8.26 million in FYE 2017. Inventories and consumables increased in FYE 2017 mainly due to the increase in consumables and drugs and medicine and in line with the increase in our revenue for the same financial year. These consumables include surgical kits, medical supplies and consumables used in our eye examinations, surgeries or treatments. The drugs and medicine are those typically prescribed to our customers as part of post-operative care to ease any discomfort, initiate faster healing time, decrease dryness and reduce the chance of infections.

FYE 2017 vs FYE 2018

Inventories and consumables increased by 27.74% from RM8.26 million in FYE 2017 to RM10.55 million in FYE 2018. Inventories and consumables increased in FYE 2018 mainly due to the increase in consumables, and drugs and medicine in line with the increase in our revenue for the same financial year.

FYE 2018 vs FYE 2019

Inventories and consumables increased by 22.00% from RM10.55 million in FYE 2018 to RM12.88 million in FYE 2019. Inventories and consumables increased in FYE 2019 mainly due to the increase in consumables, and drugs and medicine in line with the increase in our revenue for the same financial year.

12.2.4.4 Staff costs

Our staff costs breakdown is as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Director fees [1]	60	123	74	47
Wages, salaries and others [2]:				
Consultant doctors' fees	6,010	1,444	1,199	2,009
Employees	5,112	9,454	15,150	19,270
Sub-total	11,122	10,898	16,349	21,279
Contributions to EPF	586	1,183	1,843	2,291
Total	**11,768**	**12,204**	**18,266**	**23,617**

Note:

(1) Includes fees paid to the nominee Director of Mitrajaya Holdings Berhad (our former holding company). The nominee Director of Mitrajaya Holdings Berhad has since resigned on 11 April 2018.

(2) Wages, salaries and others have been separated into two sub-categories namely "consultant doctor fees" and "employees" to assist in the historical analysis of staff costs.

Our staff costs primarily consist of director fees, wages, salaries and others (including Director's remuneration), and contributions to EPF.

Wages, salaries and others comprise the following:

(i) consultation fees to our consultant doctors for the provision of consultancy services and treatments performed. Please refer to Section 7.4 of this Prospectus for details on the salary structure of our doctors; and

(ii) wages and salaries of our employees, mainly employee doctors, optometrists, nurses, sales and marketing personnel, clerical and administrative personnel, technical personnel, as well as our management team.

Contributions to EPF are monies credited to the employees' individual accounts in the EPF. The amount is calculated based on the monthly wages of an employee. Current contribution rate is in accordance with wage/salary received. For employees who receive wages/salary of RM5,000 and below, the portion of employee's contribution is 11% of their monthly salary while the employer contributes 13%. For employees who receive wages/salary exceeding RM5,000 the employee's contribution of 11% remains, while the employer's contribution is 12%. We do not make EPF contributions for our consultant doctors.

Note:

(1) The number of employees of our Group was 91 as at 31 December 2016, 116 as at 31 December 2017, 141 as at 31 December 2018 and 156 as at FYE 2019.

FYE 2016 vs FYE 2017

Staff cost increased by 3.70% from RM11.77 million in FYE 2016 to RM12.20 million in FYE 2017. Whilst wages, salaries and others decreased marginally from RM11.12 million in FYE 2016 to RM10.90 million in FYE 2017, there was a significant increase in wages/salaries paid to our employees as more doctors were employed as full time employees within the Group as opposed to being appointed as consultant doctors (which was mainly the case in FYE 2016). Some of these doctors also hold a non-controlling interest in our subsidiaries. This corporate structure which is based on equity participation by the respective doctors enables the Group to attract, retain and incentivise in-house eye specialist doctors in the conduct of its business operations. As a result of this change in business model, we recorded a substantial decrease in consultant doctors' fees from RM6.01 million in FYE 2016 to RM1.44 million in FYE 2017. As more doctors have been employed as full time employees, we also recognised larger contributions to EPF. We do not make EPF contributions for our consultant doctors.

FYE 2017 vs FYE 2018

There was a significant increase in staff cost by 49.67% from RM12.20 million in FYE 2017 to RM18.27 million in FYE 2018. This was mainly due to the increase in wages, salaries and others which increased from RM10.90 million in FYE 2017 to RM16.35 million in FYE 2018. The increase in wages, salaries and others was mainly due to:

- The acquisition of three new subsidiaries in the third/fourth quarter of FYE 2017, namely OESC Ipoh, OESC Seri Petaling and Inspirasi Alamjaya. This resulted in the Group recognising the full year staff cost for these three subsidiaries for the first time in FYE 2018. For FYE 2018, staff cost for OESC Ipoh, OESC Seri Petaling and Inspirasi Alamjaya were RM0.09 million, RM1.24 million and RM1.22 million, respectively; and

- The establishment of two new ambulatory care centres in Segamat and Kluang in November and December 2018, respectively. We employed an additional two ophthalmologists and other healthcare professionals (including optometrists and nurses) for the operation of these two eye specialist centres. These employees were employed prior to the commencement of operations of these specialist centres to assist with the application of the ambulatory care centre licences, as well as to secure the necessary expertise/personnel required for our business.

Contributions to EPF also increased from RM1.18 million in FYE 2017 to RM1.84 million in FYE 2018 due to the increased number of employees in our Group as elaborated above.

FYE 2018 vs FYE 2019

There was an increase in staff cost by 29.29% from RM18.27 million in FYE 2018 to RM23.62 million in FYE 2019. This was mainly due to the wages, salaries and others which increased from RM16.35 million in FYE 2018 to RM21.28 million in FYE 2019. The increase in wages, salaries and others is in line with the increase in our revenue as the variable component of the salary scheme of most of our doctors is tied to actual performance. We also hired more optometrists, nurses and customer care employees as part of the growth of our business. Please refer to Section 7.21 of this Prospectus for details of our total workforce by job functions as at the FYE 2019.

12.2.4.5 Depreciation expenses

The depreciation expenses of our Group is as follows:

	FYE			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment ("PPE")	2,735	2,451	3,595	3,902
Depreciation of right-of-use assets	1,016	1,275	1,729	1,740
Total	**3,751**	**3,726**	**5,324**	**5,642**

Depreciation of PPE is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of PPE from the date that they are available for use. Freehold land is not depreciated. PPE under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives adopted by the Group are as follows:

(i) Building: 50 years

(ii) Furniture, fittings and office equipment: 3 to 10 years

(iii) Operation equipment: 5 to 8 years

(iv) Renovation: 5 to 10 years

(v) Motor vehicles: 5 years

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.

FYE 2016 vs FYE 2017

Depreciation decreased by 0.67% or RM25,000 between FYE 2016 to FYE 2017 mainly due to reduction in depreciation of operation equipment. During the FYE 2016, several of our operation equipment were fully depreciated and written off. Accordingly, due to the lower carrying amount, the depreciation amount is lower during the FYE 2017.

FYE 2017 vs FYE 2018

Depreciation increased by 42.89% or RM1.60 million between FYE 2017 to FYE 2018 mainly due to the increase in depreciation of operation equipment. We purchased additional operation equipment for our Penang Hospital and Shah Alam Branch. In addition, during the third/fourth quarter of 2017, we acquired three new subsidiaries, namely OESC Ipoh, OESC Seri Petaling and Inspirasi Alamjaya. This resulted in the Group recognising the full year depreciation for the operation equipment owned by these subsidiaries in FYE 2018. We have also begun to recognise depreciation in relation to our operation equipment purchased for our new ambulatory care centres in Segamat and Kluang.

FYE 2018 vs FYE 2019

Depreciation increased by 5.97% or RM0.32 million between FYE 2018 to FYE 2019 mainly due to the following:

(i) depreciation in relation to our operation equipment purchased for our new ambulatory care centres in Segamat and Kluang;

(ii) depreciation of right-of-use assets on rental properties namely the properties housing our Segamat Branch and Kluang Branch which was only tenanted from May 2018 onwards, as well as the rental of operation equipment; and

(iii) depreciation of the Seri Petaling Building. On 19 December 2017 our Group purchased the Seri Petaling Building (on a leasehold land expiring on 26th April 2108) from Modal Saujana Sdn Bhd for RM5.30 million. The Seri Petaling Building currently houses our Seri Petaling Branch on the ground floor, while the first and second floors are utilised as offices for our Group's operations. The acquisition was completed on 31 December 2018. Therefore, we only recognised depreciation in relation to the Seri Petaling Building beginning FYE 2019.

12.2.4.6 Other expenses

Our other expenses are as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Administration and office expenses	1,595	1,788	2,256	2,352
Sales and marketing expenses	603	446	589	1,052
Bank charges	626	767	809	948
Employee welfare	448	357	363	543
Professional fees	384	552	483	449
Short term equipment rental, licence and insurance	97	215	148	266
Motor vehicles expenses	86	119	239	325
Loss on disposal of fixed assets	-	-	*1	1
Loss in exchange rate	*1	-	-	-
Loss on disposal of subsidiaries	-	-	267	-
Initial public offering expenses	-	-	1,005	651
Total	**3,840**	**4,244**	**6,160**	**6,587**

Note:
* *Amount negligible*

Our other expenses comprise administration and office expenses, sales and marketing expenses, bank charges, employee welfare, professional fees, short term equipment rental, licence and insurance, motor vehicle expenses, loss on disposal of fixed assets, loss in exchange rate, loss on disposal of subsidiaries and initial public offering expenses. Further details are set out below:

- Administration and office expenses mainly comprise expenses on office and office equipment maintenance, water and electricity, and telecommunication expenses.

- Sales and marketing expenses mainly comprise expenses incurred on advertising, promotions, seminars and sponsorships.

- Bank charges mainly comprise charges on credit cards. This is the amount charged by the bank to our Group when our customers pay for treatments via an instalment payment plan. As our customers do not bear any interest cost on the instalment plan, the bank charges are absorbed by our Group.

- Employee welfare are expenses on employees' accommodation, uniforms, expenses on medicals, employees training and education, staff welfare, insurance for employees and professional subscription fees.

- Professional fees mainly comprise audit fees, company secretarial fees, taxation service fees, legal fees, consultation fees and licence fees.

- Short term equipment rentals are rentals paid for machineries and instruments used in our treatments. To determine the suitability of certain equipment for our eye specialist services, we may rent these equipment on a short term basis prior to purchasing these equipment. Due to its short term nature, these equipment rentals are exempted from MFRS 16. Licence comprise licence fees on machineries or equipment which are paid yearly. Insurance expense are mainly insurance purchased for operation equipment.

- Motor vehicles expenses comprise expenses on motor vehicle maintenance, petrol, parking, toll, mileage, road tax, insurance on motor vehicles and rentals for motor vehicles.

- Loss on disposal of fixed assets comprise loss on disposal of motor vehicles.

- Loss in exchange rate in relation to our purchase of ICL lens in FYE 2016 and 2017. We were exposed to exchange rate fluctuations as these ICL lens were purchased from a distributor located in Switzerland. However, beginning FYE 2017, the supplier had appointed a local distributor in Malaysia. Accordingly, we did not recognise any loss in exchange rate in FYE 2018 and FYE 2019.

- Loss on disposal of subsidiaries is due to the disposal OESC Kota Kinabalu, OLEC and OESC Ampang in FYE 2018. On 15 January 2018, OESC disposed of OESC Kota Kinabalu for a cash consideration of RM1. The total identifiable net liabilities disposed for OESC Kota Kinabalu was RM202,000. Subsequently, on 6 February 2018, we disposed of OLEC for a cash consideration of RM1. The total identifiable net assets disposed for OLEC was RM2,000. We have also disposed of OESC Ampang on 13 February 2018 for a cash consideration of RM1. The total identifiable net assets disposed for OESC Ampang was RM1,000.

- Initial public offering expenses is mainly due to professional fees which has been recognised during the FYE 2018 and FYE 2019 and relates to the Listing.

FYE 2016 vs FYE 2017

Other expenses increased by 10.52% from RM3.84 million in FYE 2016 to RM4.24 million in FYE 2017. The increase is mainly due to the increase in administration and office expenses from RM1.60 million in FYE 2016 to RM1.79 million in FYE 2017 due to the additional number of branches of our eye specialist centres. These additional branches within our Group has resulted in the increase in office and office equipment maintenance, telecommunication expenses, water and electricity expenses of our Group. Our other expenses also increased due to the increase in bank charges. Professional fees for FYE 2017 was also higher mainly due to the increase in licence fees as we expanded our geographical presence within Malaysia from the acquisition of four eye specialist centres into our Group (namely our Ipoh Branch, Seri Petaling Branch, Bandar Sunway Branch and Johor Bahru Branch). Equipment rental and insurance also increased as our need for equipment increased to support our growth in revenue.

FYE 2017 vs FYE 2018

Other expenses increased by 45.15% from RM4.24 million in FYE 2017 to RM6.16 million in FYE 2018. The increase is mainly due to the following:

(i) increase in administration and office expenses from RM1.79 million in FYE 2017 to RM2.26 million in FYE 2018 due to the acquisition of four eye specialist centres into our Group (namely our Ipoh Branch, Seri Petaling Branch, Bandar Sunway Branch and Johor Bahru Branch). These additional branches into our Group has resulted in the increase of the office and office equipment maintenance, telecommunication expenses and water and electricity expenses of our Group.

(ii) loss on disposal on subsidiaries of RM0.27 million namely OESC Kota Kinabalu, OLEC and OESC Ampang during FYE 2018 (as elaborated above); and

(iii) initial public offering expenses of RM1.01 million in relation to the professional advisers engaged for the Listing.

FYE 2018 vs FYE 2019

Other expenses increased by 6.9% from RM6.16 million in FYE 2018 to RM6.59 million in FYE 2019. The increase was mainly due to:

(i) increase in administration and office expenses from RM2.26 million in FYE 2018 to RM2.35 million in FYE 2019 mainly due to our newly established eye specialist centres during FYE 2018, namely our Kluang Branch and Segamat Branch (on 17 December 2018 and 1 November 2018, respectively);

(ii) increase in sales and marketing expenses from RM0.59 million in FYE 2018 to RM1.05 million in FYE 2019 to promote our brand and eye specialist services, in particular for our SMILE® laser vision correction procedures; and

(iii) increase in bank charges, which is in line with our increase in revenue.

12.2.4.7 Finance income

Our finance income breakdown is as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance income	-	4	20	48

Our finance income relates to interest income from term deposits placed with a licensed bank.

FYE 2016 vs FYE 2017

We did not generate any finance income for FYE 2016. Our finance income generated in FYE 2017 of approximately RM4,000 was generated from term deposits placed with a licensed bank. As at FYE 2017, term deposits pledged in relation to an overdraft facility granted to OESC amounted to RM0.30 million.

FYE 2017 vs FYE 2018

Our finance income increased to approximately RM20,000 in FYE 2018 due to the increase in term deposits placed with a licensed bank (FYE 2018: RM0.72 million and FYE 2017: RM0.30 million). As at FYE 2018, term deposits pledged in relation to an overdraft facility granted to OESC amounted to RM0.72 million.

FYE 2018 vs FYE 2019

Our finance income increased from approximately RM20,000 in FYE 2018 to approximately RM48,000 in FYE 2019 due to the increase in term deposits placed with a licensed bank (FYE 2019: RM1.05 million and FYE 2018: RM0.72 million). As at FYE 2019, term deposits pledged in relation to an overdraft facility granted to the Group amounted to RM1.05 million.

12.2.4.8 Finance costs

The breakdown of our finance costs is as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Term loan	413	587	533	578
Lease liabilities	105	149	340	461
Hire purchase liabilities	103	57	277	374
Bank overdraft	47	89	80	34
Others [(1)]	15	15	14	14
Total	**683**	**897**	**1,244**	**1,461**

Note:

*(1) Guarantee fee paid to Syarikat Jaminan Pembiayaan Pemiagaan Berhad (a company wholly-owned by the Ministry of Finance Inc.) under the Services Sector Guarantee Scheme ("**SSGS**"). The objective of SSGS is to assist the small medium enterprise companies in services sectors to gain access to financing from participating financial institutions. The guarantee fee relates to an overdraft facility for an amount not exceeding RM2 million for our general working capital purposes.*

Our finance costs mainly comprise interest expenses incurred on term loans, lease liabilities, hire purchase liabilities and bank overdrafts from financial institutions.

FYE 2016 vs FYE 2017

Our finance costs increased by 31.33% from FYE 2016 to FYE 2017 mainly due to the following:

(i) recognition of a full year of finance cost in relation to the term loans undertaken for the acquisition of the Penang Building (as opposed to eight months in FYE 2016) as well as the renovations of the Penang Building which includes mechanical and wiring services, fixtures and fittings, and consultancy fees. The Penang Hospital was acquired by OESC via a sales and purchase agreement dated 29 January 2016 entered into between OESC (as purchaser) and Sunrise Consortium (M) Sdn Bhd (as vendor) for RM16.50 million.

(ii) increase in finance cost from lease liabilities due to the increase in right-of-use asset and the corresponding lease liabilities arising mainly from the rental of the properties housing our Ipoh Branch, Bandar Sunway Branch and Johor Bahru Branch.

FYE 2017 vs FYE 2018

Our finance costs increased by 38.68% from FYE 2017 to FYE 2018 mainly due to the following:

(i) additional hire purchase liabilities for new operation equipment acquired to replace obsolete machines. As part of our ongoing efforts to expand our eye specialist services, we have also undertaken hire purchase liabilities in relation for the purchase of the operation equipment required for our new eye specialist centres, namely OESC Segamat and OESC Kluang in FYE 2018; and

(ii) increase in finance cost from lease liabilities due to the increase in right-of-use asset and the corresponding lease liabilities arising mainly from the rental of the properties housing our Segamat Branch and Kluang Branch.

FYE 2018 vs FYE 2019

Our finance costs increased by 17.44% from FYE 2018 to FYE 2019 mainly due to the following:

(i) additional hire purchase liabilities undertaken for the purchase of operation equipment for our new eye specialist centres namely Segamat Branch and Kluang Branch in the fourth quarter of 2018;

(ii) increase in finance cost from lease liabilities due to the increase in right-of-use asset and corresponding lease liabilities from the rental of the properties housing our Segamat Branch and Kluang Branch; and

(iii) increase in finance cost from the term loan undertaken for the purchase of the Seri Petaling Building amounting to RM3.66 million.

12.2.4.9 Analysis of PBT and PBT margin

Our PBT and PBT margin are as set out below:

	FYE			
	2016	2017	2018	2019
PBT (RM'000)	4,660	9,583	7,801	12,572
PBT Margin (%)	15.55	26.61	15.84	20.08

FYE 2016 vs FYE 2017

Our PBT increased by 105.64% from RM4.66 million in FYE 2016 to RM9.58 million in FYE 2017. This was mainly due to the following:

(i) increase in revenue generated from RM29.96 million in FYE 2016 to RM36.02 million in FYE 2017; and

(ii) increase in other income which is mainly due to the service fee received in relation to the operations of our Muar Branch. Please refer to Section 12.2.4.2 of this Prospectus for further details.

Our PBT margin increased from 15.55% in FYE 2016 to 26.61% in FYE 2017. This was mainly due to the change in our corporate structure where more doctors were employed as full time employees within the Group as opposed to being appointed as consultant doctors (which was mainly the case in FYE 2016). Some of these doctors also hold a non-controlling interest in our subsidiaries. Accordingly, while revenue increased by approximately RM6.05 million, our staff cost remained relatively unchanged[(1)] from RM11.8 million in FYE 2016 to RM12.2 million in FYE 2017, contributing to a significant increase in our PBT margin.

Note:

(1) As the compensation structure of our doctors generally includes a variable portion where they are paid a share of the consultation fee or a fixed fee for each treatment performed, any increase in revenue is expected to be accompanied by an increase in staff cost. However, due to the change in our corporate structure as explained above, we were to able to increase our revenue whilst maintaining our staff cost, contributing to an improvement in our PBT margin.

FYE 2017 vs FYE 2018

Our PBT decreased by 18.60% from RM9.58 million in FYE 2017 to RM7.80 million in FYE 2018. The decrease in PBT was mainly due to the following:

(i) increase in staff cost by 49.67% from RM12.20 million in FYE 2017 to RM18.27 million in FYE 2018. This increase in staff cost was mainly due to increase in wages, salaries and others from RM10.90 million in FYE 2017 to RM16.35 million in FYE 2018. The increase in wages, salaries and others was mainly due to:

(a) the acquisition of three new subsidiaries in the third/fourth quarter of FYE 2017, namely OESC Ipoh, OESC Seri Petaling and Inspirasi Alamjaya. This resulted in the Group recognising the full year staff cost for these three subsidiaries for the first time in FYE 2018. The staff cost for OESC Ipoh, OESC Seri Petaling and Inspirasi Alamjaya are RM0.09 million, RM1.24 million and RM1.22 million for the FYE 2018, respectively;

(b) the establishment of two new ambulatory care centres in Segamat and Kluang in November and December 2018, respectively. We employed an additional two ophthalmologists and other healthcare professionals (including optometrists and nurses) for the operation of these two eye specialist centres. These employees were employed prior to the commencement of operations of these specialist centres to assist with the application of the ambulatory care centre licences, as well as to secure the necessary expertise/personnel required for our business; and

(c) the increased contributions to EPF from RM1.18 million in FYE 2017 to RM1.84 million in FYE 2018 was due to the increased number of employees in our Group.

(ii) increase in depreciation of operation equipment in FYE 2018 due to purchase of additional operation equipment for our Penang Hospital and Shah Alam Branch. In addition, during the third/fourth quarter of 2017, we acquired three new subsidiaries, namely OESC Ipoh, OESC Seri Petaling and Inspirasi Alamjaya. This resulted in the Group recognising the full year depreciation for the operation equipment owned by these subsidiaries in FYE 2018. We have also begun to recognise depreciation in relation to our operation equipment purchased for our new ambulatory care centres in Segamat and Kluang; and

(iii) initial public offering expenses of RM1.01 million in relation to the professional advisers engaged for the Listing.

Our PBT margin decreased from 26.61% in FYE 2017 to 15.84% in FYE 2018.

The decrease in PBT margin was mainly due to the higher percentage of increase in wages and salaries and others (as explained above) in FYE 2018 (50.02%) as compared to the percentage of increase in revenue in FYE 2018 (36.70%).

FYE 2018 vs FYE 2019

Our PBT increased significantly by 61.16% from RM7.80 million in FYE 2018 to RM12.57 million in FYE 2019. This was contributed by our increase in revenue – which increased by 27.19% from RM49.23 million in FYE 2018 to RM62.62 million in FYE 2019 as well as the increase in our PBT margin.

Our PBT margin increased from 15.84% in FYE 2018 to 20.08% in FYE 2019. This was mainly due to the following:

(i) commencement of operations of the Segamat Branch and Kluang Branch in the fourth quarter of 2018 (able to generate revenue in tandem with the recognition of staff cost); and

(ii) lower initial public offering expenses incurred during FYE 2019 (FYE 2019: RM0.65 million; FYE 2018: RM1.01 million).

12.2.4.10 Income tax expense

The taxation and effective tax rates of our Group are as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
Taxation recognised in the statement of profit or loss (RM'000)	1,525	2,203	2,831	3,833
Effective taxation rate (%)	32.73	22.99	36.29	30.49
Statutory tax rate (%)	24	24	24	24

The Group is subject to income tax at the applicable statutory tax rates in Malaysia.

The Malaysia statutory corporate tax rate was 24% for the Period under Review. The effective tax rate for our Group for FYE 2016, FYE 2017, FYE 2018 and FYE 2019 were 32.73%, 22.99%, 36.29% and 30.49%, respectively. During the Period under Review, 100% of our revenue was derived in Malaysia, as such we are not subject to any withholding tax.

FYE 2016

Our effective taxation rate of 32.73% in FYE 2016 was higher than the statutory taxation rate of 24%. This was mainly due to the effects of non-deductible expenses such as depreciation of non-qualifying assets (such as renovation and motor vehicles), legal fees and miscellaneous provisions which amounted to RM1.10 million in aggregate.

FYE 2017

Our effective taxation rate of 22.99% in FYE 2017 was slightly lower than the statutory taxation rate of 24%. The lower effective taxation rate in FYE 2017 was due to the over provision of taxes in prior year.

FYE 2018

Our effective taxation rate of 36.29% in FYE 2018 was higher than the statutory taxation rate of 24%. This was mainly due to the effects of non-deductible expenses. These non-deductible expenses mainly relate to the depreciation of non-qualifying assets (such as renovation and motor vehicles), initial public offering expenses in relation to the professional advisers engaged for the Listing and loss on disposal of subsidiaries (namely OESC Kota Kinabalu, OLEC and OESC Ampang) which amounted to RM2.67 million in aggregate. Please refer to Section 12.2.2 of this Prospectus for further details on the disposal of subsidiaries.

FYE 2019

Our effective taxation rate of 30.49% in FYE 2019 was higher than the statutory taxation rate of 24%. This was mainly due to the effects of non-deductible expenses. These non-deductible expenses mainly relate to the depreciation of non-qualifying assets (such as renovation and motor vehicles) and initial public offering expenses in relation to the professional advisers engaged for the Listing.

12.2.4.11 Analysis of PAT and PAT margin

Our PAT and PAT margin are as set out below:

	FYE			
	2016	**2017**	**2018**	**2019**
PAT (RM'000)	3,135	7,380	4,970	8,739
PAT Margin (%)	10.46	20.49	10.09	13.96

Our PAT and PAT margin were generally consistent with the growth in PBT and PBT margin during the Period under Review after taking into account the effects of income tax expense.

12.2.5 Liquidity and capital resources

12.2.5.1 Working capital

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers, credit lines (overdraft facility and borrowings from financial institutions), as well as our existing cash and cash equivalents.

We wish to highlight that as at the latest financial year, 31 December 2019, our Group is in a net current liability position. For FYE 2016, FYE 2017 and FYE 2018, our net current liability position was mainly due to the use of cash generated from operations (current asset) to fund our capital expenditure (non-current assets). These capital expenditures mainly relate to the acquisition of the properties housing our specialist centres. For FYE 2019, our net current liability position was mainly due to the payment of dividends amounting to RM6.00 million on 31 July 2019. We have no intentions to declare any further dividends until the completion of the IPO and Listing. Please refer to Section 12.4 of this Prospectus for further details on our Dividend Policy.

In addition, as our upcoming major capital expenditure (namely the acquisition of the Seremban Buildings as well as the purchase of ophthalmological equipment as detailed in Section 7.24 of this Prospectus) has been taken into consideration in the pro forma statement of financial position of our Group, we are of the view that our net current liability position will not give rise to any liquidity risk to the Group.

Our Board has taken into consideration the following factors in determining whether our Group has sufficient working capital for the next 12 months from the date of this Prospectus:

(i) Our Group generated positive cash from operating activities for FYE 2016, FYE 2017, FYE 2018 and FYE 2019 amounting to RM8.29 million, RM8.13 million, RM12.90 million and RM17.66 million, respectively;

(ii) Our trade receivables turnover period is generally low as most of our transactions are conducted on cash terms, whereby patients pay in cash or by credit cards;

(iii) As at the latest financial year, 31 December 2019, we have cash and cash equivalents of RM8.52 million;

(iv) Based on the pro forma statement of financial position of our Group (after the Pre-IPO Exercise and the IPO) as at 31 December 2019, our net current liability position of RM1.54 million will improve to a net current asset position of RM3.78 million;

(v) We also have approximately RM0.83[(1)] million of unutilised banking facility in the form of a bank overdraft as at the LPD (facility limit of RM2.00 million)[(1)];

(vi) Our gearing ratio has been on a decline, from 1.31 times in FYE 2016 to 0.83 times as at FYE 2019;

(vii) The impact of COVID-19 on the Group as disclosed in Section 7.13.1 and Section 9.1.9 of this Prospectus; and

(viii) The Board will not declare or pay any further dividends until the completion of the IPO and Listing.

Note:

(1) Our Group had on 20 November 2019 paid a 50% deposit for an excimer laser machine amounting to approximately RM0.975 million using our Group's bank overdraft facility. It is our intention to finance the purchase of this equipment using a hire purchase arrangement for which we obtained the approval from the hire purchase facility provider on 23 December 2019.

On 28 May 2020, our Group received the funds totalling RM0.97 million from the hire purchase facility provider for the repayment of the abovementioned bank overdraft facility. The hire purchase is for a rental period of 60 months with the first monthly instalment due on 1 July 2020. With the receipt of these funds from the hire purchase facility provider, we made the repayment of RM0.97 million to the bank overdraft facility provider on 5 June 2020.

Accordingly, the unutilised balance of our Group's bank overdraft facility will increase by RM0.97 million.

Accordingly, after taking into consideration the factors above, our Board is of the view that the Group has sufficient working capital for a period of 12 months from the date of this Prospectus.

12.2.5.2 Cash flows

A summary of our cash flows for the periods indicated are set out below:

Our cash and cash equivalents are held in RM. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds, subject to availability of distributable reserves and compliance with financial covenants, to our Company in the form of cash dividends, and/or loans or advances.

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	8,294	8,130	12,904	17,656
Net cash used in investing activities	(17,760)	(3,789)	(7,443)	(5,108)
Net cash from/(used in) financing activities	6,383	(4,147)	(1,834)	(11,688)
Net change in cash and cash equivalents	(3,083)	194	3,627	860
Cash and cash equivalents at the beginning of the financial year	4,076	993	1,187	4,814
Cash and cash equivalents at the end of the financial year	**993**	**1,187**	**4,814**	**5,674**
Cash and cash equivalents comprise the following:				
Cash and bank balances	2,801	3,202	5,534	8,519
Less: Pledged deposits	-	(304)	(720)	(1,049)
Less: Bank overdraft	(1,808)	(1,711)	-	(1,796)
	993	**1,187**	**4,814**	**5,674**

(i) Net cash from operating activities

FYE 2016

For FYE 2016, we generated operating profit before working capital changes of RM9.14 million. After taking into account the key items set out below, our net cash from operating activities was RM8.29 million:

(a) RM1.33 million increase in other payables due to the advances received from a related party, Sena Healthcare Services, for working capital purpose. These advances related to payments made by the said related party on behalf of the Group for salaries, rental and payment to suppliers in FYE 2016;

(b) RM0.47 million increase in trade and other receivables due to the increase in revenue earned from corporate customers. Corporate customers are billed on a monthly basis, and are typically given a 30-day credit period, resulting in a larger trade receivables compared to the previous financial year; and

(c) RM1.56 million in tax paid and RM0.17 million in interest paid.

FYE 2017

For FYE 2017, we generated operating profit before working capital changes of RM14.52 million. After taking into account the key items set out below, our net cash from operating activities was RM8.13 million:

(a) RM0.28 million increase in inventories as a result of our increased purchases of medical and surgical supplies with the expansion of our operations following our Group's acquisition of several eye-specialist centres namely, Bandar Sunway Branch, Ipoh Branch, Johor Bahru Branch and Seri Petaling Branch during the FYE 2017;

(b) RM2.83 million decrease in trade and other payables following the Group's effort in making timely payment to suppliers to foster good relationship with our suppliers, and also due to the reduction of fees paid to consultant doctors as more doctors were employed as full time employees within our Group as opposed to being appointed as consultant doctors during the financial year. Consultant doctors' fees were being recognised under trade payables. Further, our Group also made repayment to Sena Healthcare Services from the advances obtained in FYE 2016; and

(c) RM2.85 million in tax paid and RM0.25 million in interest paid.

FYE 2018

For FYE 2018, we generated operating profit before working capital changes of RM15.62 million. After taking into account the key items set out below, our net cash from operating activities was RM12.90 million:

(a) RM0.48 million increase in inventories as a result of our increased purchases of medical and surgical supplies in line with the increase in our revenue as well as additional inventories held in preparation for the launch of our new eye specialist centres in Kluang and Segamat towards the fourth quarter of the financial year;

(b) RM0.67 million increase in prepayments in relation to prepayment of operating expenses and initial public offering expenses incurred in relation to the professional advisers engaged for the Listing;

(c) RM1.59 million increase in trade and other payables in line with the increase in revenue and inventories as additional inventories were held in preparation for the launch of our new eye specialist centres in Kluang and Segamat towards the fourth quarter of the financial year; and

(d) RM2.82 million in tax paid and RM0.43 million in interest paid.

FYE 2019

For FYE 2019, we generated operating profit before working capital changes of RM20.26 million. After taking into account the key items set out below, our net cash from operating activities was RM17.66 million:

(a) RM0.55 million increase in prepayments in relation to prepayment of operating expenses and initial public offering expenses incurred in relation to the professional advisers engaged for the Listing;

(b) RM0.79 million increase in trade and other payables due to the purchase of inventories and consumables, in line with the increase in our revenue; and

(c) RM3.26 million in tax paid (which was partially set off by RM0.82 million in tax refund) and RM0.51 million in interest paid.

(ii) Net cash used in investing activities

FYE 2016

For FYE 2016, we recorded net cash used in investing activities of RM17.76 million relating mainly to the acquisition of the Penang Building for RM16.50 million on 26 January 2016 as well as the renovations of the Penang Building which includes mechanical and wiring services, fixtures and fittings and consultancy fees.

FYE 2017

For FYE 2017, we recorded net cash used in investing activities of RM3.79 million comprising mainly:

(a) RM0.17 million for the acquisition of the business operations in Bandar Sunway from Inspirasi Alamjaya in January 2017 (which is equivalent to the carrying value of the identifiable assets acquired):

(b) RM1.95 million used in the acquisition of PPE which comprise mainly for the purchase of motor vehicles, purchase of new equipment for surgeries and eye examinations, and acquisition of office equipment, furniture and fittings; and

(c) RM1.40 million of deposits paid in relation to the acquisition of the Seri Petaling Building which houses our eye specialist centre, i.e. the Seri Petaling Branch.

FYE 2018

For FYE 2018, we recorded net cash used in investing activities of RM7.44 million comprising mainly:

(a) RM4.05 million used in the acquisition of the Seri Petaling Building which houses our eye specialist centre, i.e. the Seri Petaling Branch.

This amount relates to both the leasehold land as well as the three-storey terraced shop/office erected on the said land. The total cost of the Seri Petaling Building was RM5.45 million (which includes stamp duty paid of RM0.15 million). A deposit of RM1.40 million was paid in the preceding financial year, i.e. FYE 2017; and

(b) RM3.04 million used in the acquisition of PPE which comprise mainly for the purchase of motor vehicles, purchase of new equipment for surgeries and eye examinations, and acquisition of office equipment, furniture and fittings.

FYE 2019

For FYE 2019, we recorded net cash used in investing activities of RM5.11 million comprising mainly:

(a) RM3.71 million used in the acquisition of PPE which comprise mainly purchases of new equipment for surgeries and eye examinations; and

(b) RM0.98 million of deposits paid in relation to the purchase of new equipment for surgeries and eye examinations.

These purchases of new equipment for surgeries and eye examinations were mainly for our Kluang Branch and Segamat Branch which were established in the fourth quarter of 2018, and our Klang Branch which had recently been upgraded and converted into an ambulatory care centre (effective February 2020) as part of the expansion of our ambulatory care centre network.

(iii) Net cash from/used in financing activities

FYE 2016

For FYE 2016, we recorded net cash from financing activities of RM6.38 million comprising mainly:

(a) RM11.40 million drawdown of term loans. The term loans were primarily used for the acquisition of the Penang Building as well as the renovations of the Penang Building which includes mechanical and wiring services, fixtures and fittings and consultancy fees;

(b) RM0.52 million of interest paid;

(c) RM0.37 million repayment to our former holding company, Mitrajaya Holdings Berhad. The funds were advanced for our working capital;

(d) RM2.19 million payment of hire purchase. Our hire purchase arrangements are mainly for the acquisition of operation equipment;

(e) RM0.95 million repayment of term loans. Our term loans are mainly for the acquisition of the Penang Building; and

(f) RM1.00 million of repayment of lease liabilities from our rented properties.

FYE 2017

For FYE 2017, we recorded net cash used in financing activities of RM4.15 million comprising mainly:

(a) RM0.64 million of interest paid;

(b) RM0.19 million repayment of hire purchase. Our hire purchase arrangements are mainly for the acquisition of operation equipment;

(c) RM1.00 million repayment of term loans. Our term loans are mainly for the acquisition of the Penang Building;

(d) RM1.24 million of repayment of lease liabilities from our rented properties; and

(e) RM1.09 million in dividend paid.

FYE 2018

For FYE 2018, we recorded net cash used in financing activities of RM1.83 million comprising mainly:

(a) RM3.66 million drawdown of term loans for the acquisition of the Seri Petaling Building which houses our Seri Petaling Branch;

(b) RM0.81 million of interest paid;

(c) RM1.14 million repayment of hire purchase. Our hire purchase arrangements are mainly for the acquisition of operation equipment;

(d) RM1.46 million repayment of term loans. Our term loans are mainly for the acquisition of the Penang Building and the Seri Petaling Building;

(e) RM0.44 million in relation to the payment of initial public offering expenses incurred in relation to the professional advisers engaged for the Listing; and

(f) RM1.64 million of repayment of lease liabilities from our rented properties.

FYE 2019

For FYE 2019, we recorded net cash used in financing activities of RM11.69 million comprising mainly:

(a) RM0.95 million of interest paid;

(b) RM1.63 million repayment of hire purchase. Our hire purchase arrangements are mainly for the acquisition of operation equipment;

(c) RM0.78 million repayment of term loans. Our term loans are mainly for the acquisition of the Penang Building and the Seri Petaling Building;

(d) RM0.38 million in relation to the payment of initial public offering expenses incurred in relation to the professional advisers engaged for the Listing;

(e) RM1.53 million of repayment of lease liabilities from our rented properties and operation equipment; and

(f) RM6.00 million in dividends paid on 31 July 2019.

12.2.5.3 Capital expenditures and material divestitures

(i) Capital expenditures

We incurred capital expenditures for the following financial years, the breakdown of which is as follows:

	FYE			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Freehold land	14,636	-	-	-
Leasehold land	-	-	1,818	-
Buildings	2,580	-	3,635	-
Furniture, fittings and office equipment	30	199	545	366
Operation equipment	803	2,691	6,272	3,740
Renovation	236	373	589	176
Motor vehicles	67	80	828	-
Capital work-in-progress	-	-	214	2,023
Total	**18,352**	**3,343**	**13,901**	**6,305**

In FYE 2016, we incurred capital expenditure of RM18.35 million largely on a freehold land (RM14.64 million), building (RM2.58 million) and operation equipment (RM0.80 million). These capital expenditures relate to the acquisition of the Penang Building as well as the renovations of the Penang Building which includes mechanical and wiring services, fixtures and fittings, and consultancy fees.

In FYE 2017, we incurred capital expenditure of RM3.34 million largely on operation equipment (RM2.69 million) and renovation (RM0.37 million). The purchase of additional operation equipment is for the provision of our eye specialist services in our Penang Hospital, TTDI Branch, Seri Petaling Branch, Bandar Sunway Branch and Muar Branch. The renovation mainly relates to the renovation of our Muar Branch.

In FYE 2018, we incurred capital expenditure of RM13.90 million largely on operation equipment (RM6.27 million), the building (RM3.64 million) and the leasehold land (RM1.82 million) in relation to our Seri Petaling Building. The purchase of additional operation equipment is for the provision of our eye specialist services in our Penang Hospital, TTDI Branch, Seri Petaling Branch, Seremban Branch, Shah Alam Branch, Kluang Branch, Segamat Branch, Johor Bahru Branch and Kuching Branch. The building relates to the acquisition of the Seri Petaling Building which houses our Seri Petaling Branch. We also acquired motor vehicles for our Group's use.

In FYE 2019, we incurred capital expenditure of RM6.31 million largely on operation equipment of RM3.74 million and capital work-in-progress of RM2.02 million. These purchases of new equipment for surgeries and eye examinations were mainly for our Kluang Branch and Segamat Branch which were established in the fourth quarter of 2018, and our

Klang Branch which had recently been upgraded and converted into an ambulatory care centre (effective February 2020) as part of the expansion of our ambulatory care centre network. The capital work-in-progress mainly relates to the upgrade and conversion of our Klang Branch and Seremban Branch.

The investment in capital expenditure is to cater to the increase in business operations of our Group, and is in line with our growth in revenue and PBT for the Period under Review.

Our actual capital expenditures may vary from our planned capital expenditures amounts due to our ability to generate sufficient cash flows from our operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our services, governmental policies regarding the industries in which we operate and the condition of the Malaysian economy. In addition, our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time.

We expect to meet our capital expenditures requirements through our cash and cash equivalents on hand, and the cash generated from future operations. Our ability to obtain financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations and cash flows.

(ii) Material divestitures

For the Period under Review and up to the LPD, we do not have any material divestitures.

12.2.6 Loans and Borrowings

As at 31 December 2019, our total outstanding loans and bank borrowings, all of which were interest-bearing, amounted to RM20.20 million as set out below:

	Secured/ Unsecured	Contractual interest rate	Short term (Payable within 12 months) RM'000	Long term (Payable after 12 months) RM'000	Total RM'000
Term Loan I	Secured	-	-	-	-
Term Loan II	Secured	4.12%	402	8,483	8,885
Term Loan III	Unsecured	-	-	-	-
Term Loan IV	Secured	4.02%	136	3,402	3,538
Bank overdraft	Secured	7.70%	1,796	-	1,796
Hire purchase	Secured	2.30% - 3.76%	1,748	4,228	5,976
Total					**20,195**
Gearing ratio[(1)](times)					**0.83**

Note:

(1) Computed based on total borrowings (excluding lease liabilities recognised under MFRS 16) divided by total equity of the Group of RM24.24 million as at 31 December 2019.

Our term loans consist of:

(i) Term Loan I is an Islamic term financing bearing profits at Nil (2018: 6.95%; 2017: 6.70%; 2016: 6.65%) per annum with monthly repayment instalments. The term loan is secured by specific debentures created over certain PPE of our Group. Term Loan I was fully repaid in FYE 2018.

(ii) Term Loan II which is a conventional term financing bearing interest at a rate of 4.12% (2018: 4.62%; 2017: 4.87%; 2016: 4.75% to 4.87%) per annum with monthly repayment instalments. The term loan is secured and supported by the Penang Building, a personal guarantee by Dato' Tan Boon Hock and a corporate guarantee by Sena Healthcare Services[(1)]. The amount outstanding for Term Loan II as at 31 December 2019 was RM8.89 million.

(iii) Term Loan III which is a conventional term financing bearing interest at a rate of Nil (2018: 8.50%; 2017: 8.50%; 2016: 8.50%) per annum with monthly repayment instalments. Term Loan III was fully repaid in FYE 2019.

(iv) Term Loan IV which is a conventional term financing bearing interest at a rate of 4.02% per annum (2018: 4.52%) with monthly repayment instalments. The term loan is secured and supported by the Seri Petaling Building which houses our Seri Petaling Branch, a personal guarantee by Dato' Tan Boon Hock and a corporate guarantee by Sena Healthcare Services[(1)]. The amount outstanding for Term Loan IV as at 31 December 2019 was RM3.54 million.

Note:

(1) We had on 18 July 2019 received a favourable indication from the financier that such personal guarantee and corporate guarantee by Dato' Tan Boon Hock and Sena Healthcare Services respectively will be released and substituted by our corporate guarantee after Listing. The guarantor will take responsibility of the borrower's obligations in the event the borrower defaults on the loan. For Term Loan II and Term Loan IV, the borrower is OESC.

The bank overdraft was drawn down in FYE 2019 mainly for the purchase of operation equipment. Our Group had on 20 November 2019 paid a 50% deposit for an excimer laser machine amounting to approximately RM0.975 million using our Group's bank overdraft facility. It is our intention to finance the purchase of this equipment using a hire purchase arrangement for which we obtained the approval from the hire purchase facility provider on 23 December 2019. On 28 May 2020, our Group received the funds totalling RM0.97 million from the hire purchase facility provider for the repayment of the abovementioned bank overdraft facility. The hire purchase is for a rental period of 60 months with the first monthly instalment due on 1 July 2020. With the receipt of these funds from the hire purchase facility provider, we made the repayment of RM0.97 million to the bank overdraft facility provider on 5 June 2020. Accordingly, the unutilised balance of our Group's bank overdraft facility will increase by RM0.97 million.

Our hire purchase liabilities consist mainly of hire purchase arrangements taken for the acquisition of operation equipment. These operation equipment are used for the revenue-generating activities of our Group.

The major borrowings we incurred as at 31 December 2019 were term loans which accounted for 61.52% of our total borrowings. These term loans have been mainly utilised for the acquisition of the Penang Building and the Seri Petaling Building.

Please refer to Note 20.5 of the Accountants' Report in Section 13 of this Prospectus for the breakdown on the maturity profile of our financial liabilities.

As at the LPD, we do not have any non-interest bearing borrowings.

Our gearing ratios are as follows:

	FYE			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings [(1)]	2,927	3,613	2,042	4,082
Long-term borrowings [(2)]	11,296	10,921	16,623	16,113
Total borrowings	**14,223**	**14,534**	**18,665**	**20,195**
Total equity	10,868	16,552	21,998	24,237
Gearing ratio [(3)]	1.31	0.88	0.85	0.83

Note:

(1) Includes bank overdraft (save for FYE 2018), and current portions of term loans and hire purchase liabilities.

(2) Includes non-current portions of term loans and hire purchase liabilities.

(3) Computed based on total borrowings (excluding lease liabilities recognised under MFRS 16) divided by total equity of the Group as at the respective financial years under review.

As at 31 December 2019, our floating and fixed rate borrowings are set out below:

	As at 31 December 2019		
Borrowings	**Floating Rate Borrowings RM'000**	**Fixed Rate Borrowings RM'000**	**Total RM'000**
Term loans	12,423	-	**12,423**
Bank overdraft	1,796	-	**1,796**
Hire purchase liabilities	-	5,976	**5,976**
Total	**14,219**	**5,976**	**20,195**

We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Period under Review and up to the LPD. As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or borrowings which can materially affect our Group's financial position and results of business operations.

Currently, our Group does not have any interest rate hedging policy. We will monitor the interest rate movements and will take necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedging policy.

12.2.7 Material Commitment

As at the LPD, we have no material commitment for capital expenditure save for the acquisition of the Seremban Buildings for RM3.30 million (inclusive of the estimated stamp duty and registration fees for the Seremban Buildings) (which is to be funded using part of the proceeds from the IPO) and the renovation and fit-out works of the Seremban Buildings (which is to be funded using internally generated funds). To manage our cash flows, we may also utilise our bank overdraft facilities for the payment of renovation costs. Please refer to Section 7.24.1 of this Prospectus for more details on the Seremban Buildings.

12.2.8 Material litigation, claims and arbitration

Please refer to Section 15.5 of this Prospectus for details on material litigation, claims and arbitration affecting our Group.

12.2.9 Contingent liabilities

As at the LPD, our Directors are not aware of any contingent liabilities incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries.

12.2.10 Key financial ratios

Our key financial ratios are as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
Trade receivables turnover (days)[(1)]	4.45	3.48	3.15	3.02
Trade payables turnover days (consultant doctors' fees only) (days)[(2)]	39.35	86.95	49.92	54.14
Trade payables turnover (excluding consultant doctors' fees) (days)[(3)]	86.87	52.18	58.28	48.45
Inventory turnover (days)[(4)]	63.38	65.45	69.24	54.04
Current ratio (times)[(5)]	0.57	0.83	0.96	0.90
Gearing ratio (times)[(6)]	1.31	0.88	0.85	0.83

Note:

(1) Computed based on trade receivables divided by revenue for the respective financial years multiplied by 365 days.

(2) Computed based on trade payables (consultant doctors' fees only) divided by consultant doctors' fees for the respective financial years multiplied by 365 days.

(3) Computed based on other trade payables divided by inventories and consumables for the respective financial years multiplied by 365 days.

(4) Computed based on inventories divided by the inventories recognised in the profit or loss for the respective financial years multiplied by 365 days.

(5) Computed based on current assets over current liabilities as at the respective financial years' end.

(6) Computed based on total borrowings (excluding lease liabilities recognised under MFRS 16) divided by total equity as at the respective financial years' end.

(i) Trade receivables turnover period and ageing analysis

Our trade receivables turnover period reduced from 4.45 days in FYE 2016 to 3.48 days in FYE 2017 and 3.15 days in FYE 2018. In FYE 2019, our trade receivables turnover period was 3.02 days. Our normal credit period offered on trade receivables is 30 days. However, our trade receivables turnover period is generally low as most of our transactions are conducted on cash terms, whereby patients pay in cash or by credit cards. Where payments are made by credit cards, we will not receive such funds from the respective financial institutions immediately, giving rise to trade receivables. We also have some patients who are employees of our corporate customers (mainly for the provision of eye examinations), where the corporate customer is billed on a monthly basis, and the corporate customer is typically given a 30-day credit period.

Our ageing analysis for trade receivables is as follows:

	FYE			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Not past due	324	255	236	485
Past due between 0 to 30 days	4	60	24	20
Past due between 31 and 120 days	26	25	70	9
Past due more than 120 days	11	3	95	4
Total trade receivables	**365**	**343**	**425**	**518**

As at 31 December 2019, approximately RM33,000 or 6.37% of trade receivables exceeded our prescribed credit period. We recorded RM9,000 or 1.74% of trade receivables which are past due between 31 to 120 days and approximately RM4,000 or 0.77% of trade receivables which are past due more than 120 days, which are deemed to have higher credit risk.

	FYE			
	2016	2017	2018	2019
Trade receivables (RM'000)	365	343	425	518
Revenue (RM'000)	29,962	36,015	49,234	62,619
Trade receivables turnover days (days)(1)	4.45	3.48	3.15	3.02

Note:

(1) Computed based on trade receivables divided by revenue for the respective financial years multiplied by 365 days.

Ageing Analysis of Trade Receivables as at 31 December 2019

	Within credit period	Exceeding credit period		
	Not past due	Between 0-30 days past due	More than 30 days past due	Total
Trade receivables (RM'000)	485	20	13	518
Percentage of total trade receivables (%)	93.63	3.86	2.51	100.00
Amount collected subsequent to FYE 2019 up to the LPD (RM'000)	485	20	10	515
Percentage collected (%)	93.63	3.86	1.93	99.42
Trade receivables net of subsequent collections (RM'000)	-	-	3	3
Percentage of total trade receivables net of subsequent collections (%)	-	-	0.58	0.58

As at the LPD, we have collected RM0.515 million or 99.42% out of a total of RM0.518 million outstanding trade receivables.

There were no bad debts provisions/impairment of trade receivables for the Period under Review. The Board is of the view that no further impairment is required for trade receivables as at the LPD.

(ii) Trade payables turnover and ageing analysis

Our normal credit period offered on trade payables is 30 to 60 days. For our consultant doctors, the payment made to them is typically calculated at the end of each month and is forwarded to the consultant doctor within one month from the end of the preceding month.

Over the Period under Review (save for FYE 2016), our trade payables turnover days (excluding consultant doctors' fees) have been within the normal credit period offered by our suppliers of 30 to 60 days. For FYE 2016, notwithstanding the higher trade payables turnover days, there was no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

Over the Period under Review (save for FYE 2017), our trade payables turnover days (for consultant doctors' fees) have been within the normal payment period. Due to the change in our business model, the quantum of consultant doctors' fees payable and expensed decreased significantly from FYE 2016 to FYE 2017.

However, due to an amount owed to one of our doctors who is no longer with our Group pursuant to the medical negligence claims as highlighted in Section 9.1.3 of this Prospectus, our trade payables turnover days was significantly higher for FYE 2017 as opposed to FYE 2016 (the said amount was outstanding in both FYE 2016 and FYE 2017 but the said amount represented a much larger proportion of consultant doctors' fees payable for FYE 2017 due to the reduced total quantum for FYE 2017). This amount was extinguished following the disposal of the affected subsidiary in FYE 2018. Please refer to Section 12.2.4.4 of this Prospectus for further details on our staff costs.

Our trade payables are recognised at their original invoice amounts which represent their fair value on initial recognition.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

	FYE			
	2016	**2017**	**2018**	**2019**
Trade payables				
Consultant doctors' fees (RM'000)	648	344	164	298
Other trade payables (RM'000)	1,458	1,181	1,685	1,709
Total trade payables (RM'000)	**2,106**	**1,525**	**1,849**	**2,007**

	FYE			
	2016	2017	2018	2019
Consultant doctors' fees (RM'000)	6,010	1,444	1,199	2,009
Inventories and consumables (RM'000)	6,126	8,261	10,553	12,875
Inventories and consumables, and consultant doctors' fees (RM'000)	**12,136**	**9,705**	**11,752**	**14,884**
Trade payables turnover days (consultant doctors' fees only) (days)(1)	39.35	86.95	49.92	54.14
Trade payables turnover days (excluding consultant doctors' fees) (days)(2)	86.87	52.18	58.28	48.45

Note:

(1) Computed based on trade payables (consultant doctors' fees only) divided by consultant doctors' fees for the respective financial years multiplied by 365 days.

(2) Computed based on other trade payables divided by inventories and consumables for the respective financial years multiplied by 365 days.

Ageing Analysis of Trade Payables as at 31 December 2019

	Within credit period	Exceeding credit period		
	Not past due	Between 0-30 days Past Due	More than 30 days Past Due	Total
Trade payables (RM'000)	1,671	336	-	2,007
Percentage of total trade payables (%)	83.26	16.74	-	100.00
Amount paid subsequent to FYE 2019 up to the LPD (RM'000)	1,671	336	-	2,007
Percentage paid (%)	83.26	16.74	-	100.00
Trade payables net of subsequent payments (RM'000)	-	-	-	-
Percentage of total trade payables net of subsequent payments (%)	-	-	-	-

As at 31 December 2019, our outstanding total trade payables were RM2.01 million. Our outstanding total trade payables increased from RM1.85 million as at 31 December 2018 to RM2.01 million as at 31 December 2019 in line with the increased level of business operations undertaken during the FYE 2019.

As at the LPD, all of our total outstanding trade payables have been paid.

(iii) Inventories

	FYE			
	2016	**2017**	**2018**	**2019**
Inventories (RM'000)[1]	978	1,381	1,862	1,810
Inventories recognised in profit or loss (RM'000)	5,632	7,702	9,815	12,226
Inventory turnover period(days)[2]	63.38	65.45	69.24	54.04

Note:
(1) Closing inventories for the respective financial years/period.
(2) Computed based on inventories divided by the inventories recognised in profit or loss for the respective financial years multiplied by 365 days.

For FYE 2016 and FYE 2017, our inventory turnover period was 63.38 days and 65.45 days, respectively. Our inventory turnover period increased in FYE 2018 mainly due to the additional inventories held in preparation for the launch of our new eye specialist centres in Kluang and Segamat. In FYE 2019, our inventory turnover period decreased to 54.04 days following our efforts to streamline our storage capacity and inventory purchases.

Medical supplies have various shelf lives depending on its nature. The Group performs monthly physical stock count on all its medical supplies (on a rotational basis), as well as a full stock count annually in all the outlets to identify inconsistency in terms of quantity as compared to the inventory system as well as to identify slow-moving inventories at respective outlets. Medical supplies which are slow-moving in an outlet may be transferred for use in another outlet where the demand may be higher. Certain medical supplies can be exchanged six months prior to the expiry date. For the damaged/expired medical supplies, the Group's policy is for these inventories to be written off. For the Period under Review, there has been no inventories written off.

The Board is of the view that no impairment is required for inventory as at the LPD.

(iv) Current ratio

Our current ratio is as set out below:

	FYE			
	2016	**2017**	**2018**	**2019**
Current assets (RM'000)	5,394	8,241	10,422	14,503
Current liabilities (RM'000)	9,528	9,945	10,878	16,039
Current ratio (times)[1]	0.57	0.83	0.96	0.90

Note:
(1) Computed based on current assets over current liabilities as at the respective financial years' end.

FYE 2016 vs FYE 2017

The current ratio increased from 0.57 times as at 31 December 2016 to 0.83 times as at 31 December 2017. Current assets increased from RM5.39 million in FYE 2016 to RM8.24 million or by 52.78% in FYE 2017 arising mainly from increase in cash and cash equivalents and trade and other receivables which are in line with the increased total revenue in FYE 2017. On the other hand, current liabilities increased by 4.38% from FYE 2016 to FYE 2017 arising from the increase in short term borrowings incurred in FYE 2017 to RM3.61 million (FYE 2016: RM2.93 million). Current ratio was below one for both FYE 2016 and FYE 2017 as it was significantly impacted by the acquisition of the Penang Building due to the use of internally generated funds of RM6.60 million (use of a current asset, i.e. cash to purchase a non-current asset) and bank borrowings of RM9.90 million to fund the said acquisition.

FYE 2017 vs FYE 2018

The current ratio increased from 0.83 times as at 31 December 2017 to 0.96 times as at 31 December 2018. Current assets increased from RM8.24 million in FYE 2017 to RM10.42 million or by 26.47% in FYE 2018 arising mainly from increase in cash and cash equivalents and trade and other receivables which are in line with the increased total revenue in FYE 2018. On the other hand, current liabilities increased by a smaller quantum of 9.38% from FYE 2017 to FYE 2018, as compared to the increase in our current assets, resulting in an improvement of our current ratio.

Despite the improvement in the current ratio, the current ratio was still below one for FYE 2017 and FYE 2018 as it remained impacted by the acquisition of the Penang Building in the preceding FYE 2016 where internally generated funds (use of a current asset, i.e. cash to purchase a non-current asset) and bank borrowings were used for the said acquisition. In addition, current ratio for the FYE 2018 was also impacted by the acquisition of the Seri Petaling Building due to the use of RM1.798 million in cash and bank borrowings of RM3.655 million to fund the said acquisition. The acquisition of the Seri Petaling Building did not have an impact on the current ratio for FYE 2017 despite the payment of cash deposit of RM1.40 million during FYE 2017 as the reduction in cash was offset by a corresponding increase in deposits which is also a current asset (under trade and other receivables).

FYE 2018 vs FYE 2019

Our current ratio decreased to 0.90 times in FYE 2019 mainly due to the decrease in cash and cash equivalents pursuant to the payment of dividends amounting to RM6.00 million on 31 July 2019.

(v) Gearing ratio

Our gearing ratio is as set out below:

	FYE			
	2016	**2017**	**2018**	**2019**
Gearing ratio[1]	1.31	0.88	0.85	0.83
Net gearing ratio[2]	1.05	0.70	0.63	0.53

Note:

(1) Computed based on total borrowings (excluding lease liabilities recognised under MFRS 16) divided by total equity as at the respective financial years' end.

(2) Computed based on total borrowings, net of cash and bank balances (excluding pledged deposits), divided by total equity as at the respective financial years' end.

FYE 2016 vs FYE 2017

Gearing ratio decreased from 1.31 times as at 31 December 2016 to 0.88 times as at 31 December 2017 mainly due to the increase in total equity from RM10.87 million as at 31 December 2016 to RM16.55 million as at 31 December 2017. The increase in total equity was mainly due to the increase in retained earnings in FYE 2017 as we generated a PATNCI of RM7.38 million for the FYE 2017. Higher gearing ratio in FYE 2016 was mainly due to the term loans undertaken to finance our acquisition of the Penang Building.

FYE 2017 vs FYE 2018

Gearing ratio decreased from 0.88 times as at 31 December 2017 to 0.85 times as at 31 December 2018 mainly due to the increase in total equity from RM16.55 million as at 31 December 2017 to RM22.00 million as at 31 December 2018. The increase in total equity was mainly due to the increase in retained earnings in the FYE 2018 as we generated a PATNCI of RM4.97 million for the FYE 2018. The effects of the increase in total equity was partially negated by the additional borrowings undertaken to finance our acquisition of the Seri Petaling Building which houses our Seri Petaling Branch.

FYE 2018 vs FYE 2019

Gearing ratio decreased marginally from 0.85 times as at 31 December 2018 to 0.83 times as at FYE 2019. Whilst our total borrowings increased by RM1.53 million, our total equity increased by RM2.24 million, resulting in a decrease in our gearing ratio. The increase in borrowings was mainly due to the hire purchase liabilities incurred for the acquisition of operation equipment for our Kluang Branch, Segamat Branch and Klang Branch. The increase in total equity was due to the increase in retained earnings.

The movement in net gearing is in line with the movement of our gearing ratios as explained above.

12.2.11 Financial risk management

We have exposure to the following risks from our normal course of business:

- credit risk;
- liquidity risk; and
- market risk.

(i) 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 customers.

Generally, our patients pay by way of cash or credit card at the time of consultation and/or surgery. We have credit policies in place and we use ageing analysis to monitor the credit quality of our trade receivables.

As at 31 December 2019, we recorded RM9,000 of trade receivables which are past due between 31 to 120 days and RM4,000 past due more than 120 days, which are deemed to have higher credit risk.

(ii) 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.

(iii) 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.

The Group's primary interest rate risk relates to deposits placed with licensed banks, term loans and hire purchase liabilities. The Group's deposits placed with licensed banks, term loans and hire purchase liabilities are exposed to a risk of change in fair value due to changes in interest rates.

Our fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Our variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. We are also exposed to interest rate risk on the term deposits placed with licensed financial institutions (RM1.05 million as at 31 December 2019).

As at 31 December 2019, our exposure to interest rate risk arises predominantly from floating rate financial instruments which stood at RM14.22 million or 70.41% of our total loans and borrowings.

Our short term receivables and payables are not significantly exposed to interest rate risk.

12.2.12 Treasury Policies and Objectives

Our treasury objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities by maintaining adequate liquidity and credit facilities. We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles.

Our liquidity and funding objectives are designed to meet our funding requirements, which include primarily purchases of operations equipment, consumables and medicine, wages and salaries, interest and principal payments on outstanding borrowings, and general obligations such as administrative. We have historically relied on cash generated from our operating activities, credit extended by our suppliers and credit lines such as term loans, bank overdrafts and hire purchases. Our funding objective is to obtain the most suitable type of financing and favourable cost of funding as our financing needs arise. Borrowings are negotiated with a view to secure the best possible terms and rates of interest.

Our cash and cash equivalents are mostly held in RM as we currently only operate in Malaysia. Our revenue and borrowings are denominated in RM. Accordingly, we are not subject to foreign currency risks and do not use any hedging instruments in our daily operations.

12.2.13 Significant changes

Save as disclosed in this Prospectus, and in particular the impact of the COVID-19 outbreak on our operations as highlighted in Section 7.13.1 of this Prospectus, there are no other significant changes that have occurred which may have a material effect on our financial position and results of operations since 31 December 2019 and up to the LPD.

12.2.14 Impact of political and economic conditions, and social and regulatory environment

Risks relating to political and economic conditions, and social and regulatory environment which may materially affect our operations are set out in Section 9.2.5 of this Prospectus.

12.2.15 Inflation

We do not believe that inflation has had a material impact on our business, financial condition or results of our operations. However, if we were to experience significantly higher inflation, we may not be able to fully offset such higher costs through price increases. Our failure or inability to do so could adversely affect our ability to secure new patients which would in turn affect our business, financial condition and results of operations.

12.2.16 Order Book

Due to the nature of our business, the concept of an order book is not meaningful to us. Although our centres maintain a register for advance patient appointments, these appointments are not legally binding and may be cancelled or postponed easily, and therefore do not constitute our orders on hand.

12.2.17 Seasonality

We do not experience any material seasonality in our business.

12.2.18 Trend Information

As at the LPD, our business operations have not been and are not expected to be affected by any of the following:

(i) any known factors, trends, uncertainties, demands, commitments or events that are likely to have a material favourable or unfavourable effect on our financial condition and results of operations save as disclosed in Section 7.2.2 (Our Competitive Strengths), Section 7.24 (Future Plans and Strategies), Section 9 (Risk Factors) and Section 12.2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of this Prospectus;

(ii) any known factors, trends, uncertainties, demands, commitments or events that would cause our historical financial statements to be not necessarily indicative of our future financial performance save as disclosed in Section 7.24 (Future Plans and Strategies), Section 9 (Risk Factors) and Section 12.2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of this Prospectus;

(iii) any known factors, trends, uncertainties, demands, commitments or events that are likely to have a material impact on our revenue, income from continuing operations and profitability save as disclosed in Section 7.2.2 (Our Competitive Strengths), Section 7.24 (Future Plans and Strategies), Section 9 (Risk Factors) and Section 12.2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of this Prospectus;

(iv) any known factors, trends, uncertainties, demands, commitments or events that are likely to have a material impact on our liquidity or capital resources save as disclosed in Section 4.5 (Utilisation of Proceeds), Section 12.2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of this Prospectus and Section 12.2.5 (Liquidity and Capital Resources) of this Prospectus; and

(v) any known factors, trends, uncertainties, demands, commitments or events that are likely to have a material impact on our financial condition, results of operations (including revenue, income from continuing operations and profitability), liquidity or capital resources save as disclosed in Section 7.13.1 (impact from the COVID-19 outbreak) and Section 9.1.9 (risk relating to the spread or outbreak of COVID-19) of this Prospectus.

Our Board is assured about our future prospects given our competitive strengths as set out in Section 7.2.2 of this Prospectus and our commitment to implement the business strategies and future plans as set out in Section 7.24 of this Prospectus.

12.3 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' report on the pro forma statement of financial position set out in Section 13 of this Prospectus.

The table below sets out our Group's capitalisation and long-term indebtedness as at 31 May 2020 based on our unaudited management accounts as at 31 May 2020 and as adjusted for the effects of the IPO and the utilisation of proceeds arising from the Public Issue as set out in Section 4 of this Prospectus ("**IPO and the Utilisation**").

The pro forma financial information below does not represent our actual capitalisation and long term debt indebtedness as at 31 May 2020 and is provided for illustrative purposes only.

	Unaudited	**As adjusted**
	As at 31 May 2020	**After our IPO and the Utilisation**
	RM'000	**RM'000**
Indebtedness		
<u>Current</u>		
Secured and guaranteed	4,099	3,963
<u>Non-current</u>		
Secured and guaranteed	18,333	14,949
Total indebtedness	**22,432**	**18,912**
Capitalisation		
Equity attributable to owners of the Company	22,709	41,765
Non-controlling interests	1,724	1,724

12. FINANCIAL INFORMATION

	Unaudited	As adjusted
	As at 31 May 2020	After our IPO and the Utilisation
	RM'000	RM'000
Total capitalisation	24,433	43,489
Total capitalisation and indebtedness	46,865	62,401

12.4 DIVIDEND POLICY

It is the policy of our Board in recommending dividends to allow shareholders to participate in our profits, as well as to retain adequate reserves for our future growth. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval.

As we are an investment holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions we receive from our subsidiaries. Our Company presently does not have any fixed dividend policy in place.

In the future, the payment of dividends by our subsidiaries will depend upon their distributable profits, operating results, financial condition, capital expenditure plans, debt servicing and other obligations or business plans and applicable laws or agreements restricting their ability to pay dividends or other distributions. In addition, changes in applicable accounting standards may also affect the ability of our subsidiaries, and consequently, our ability, to declare and pay dividends.

The actual dividend that our Board may recommend or declare in the future in respect of any particular financial year or period will subject to the factors outlined below as well as any other factors deemed relevant by our Board. Upon recommendation by our Board, we will, inter alia, take into account various factors as set out below to determine the level of dividend payments:

(i) our level of cash, gearing and return on equity and retained earnings;

(ii) our expected financial performance;

(iii) our projected levels of capital expenditure and other investment plans;

(iv) our working capital requirements; and

(v) any contractual restrictions and/or commitments,

The dividends paid by OESC for the Period under Review are as follows:

	FYE			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends	-	1,085	-	6,000

12. FINANCIAL INFORMATION

Subsequent to the Period under Review and up to the LPD, there was no dividend declared, made or paid by our Company or OESC to its shareholders.

You should take note that any declaration and payment of dividends in the future will be at our Board's absolute discretion. No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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12.5 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENT OF FINANCIAL POSITION

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
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8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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The Board of Directors
Optimax Holdings Berhad
Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Wilayah Persekutuan

24 June 2020

Dear Sir/Madam,

Optimax Holdings Berhad ("Optimax" or the "Company")

Report on the compilation of pro forma statement of financial position for inclusion in the Company's prospectus in connection with the initial public offering of 70,000,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Prospectus") ("IPO")

We have completed our assurance engagement to report on the compilation of the pro forma statement of financial position of Optimax and its combining entity, Optimax Eye Specialist Centre Sdn. Bhd. and its subsidiaries (collectively, the "Group") prepared by the management of the Company. The pro forma statement of financial position of the Group as at 31 December 2019 ("Pro Forma Statement of Financial Position") and the related notes as set out in Attachment A have been stamped by us for identification purposes.

The applicable criteria in the preparation of the Pro Forma Statement of Financial Position is in accordance with Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines"). The basis on which the Board of Directors of the Company (the "Directors") has compiled the Pro Forma Statement of Financial Position is described in the notes of Attachment A to the Pro Forma Statement of Financial Position.

KPMG PLT, a limited liability partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Optimax Holdings Berhad
Report on the compilation of the
Pro Forma Statement of Financial Position
in connection with the IPO
24 June 2020

The Pro Forma Statement of Financial Position has been compiled by the Directors for inclusion in the Prospectus solely to illustrate the impact of events or transactions as set out in the notes of Attachment A on the Group's combined financial position as at 31 December 2019, as if the events or transactions had taken place on 31 December 2019. As part of this process, information about the Group's financial position have been extracted by the Directors from the audited combined financial statements of the Group for the financial year ended 31 December 2019, on which an audit report has been issued.

Directors' Responsibility for the Pro Forma Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Statement of Financial Position on the basis described in the notes of Attachment A as required by the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes of Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors has compiled, in all material respects, the Pro Forma Statement of Financial Position on the basis described in the notes of Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statement of Financial Position.

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Optimax Holdings Berhad
Report on the compilation of the
Pro Forma Statement of Financial Position
in connection with the IPO
24 June 2020

Reporting Accountants' Responsibilities (continued)

The purpose of the Pro Forma Statement of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Statement of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Statement of Financial Position has been compiled, in all material respects, on the basis stated in the notes to the Pro Forma Statement of Financial Position in Attachment A.

Other Matter

Our report on the Pro Forma Statement of Financial Position has been prepared for inclusion in the Company's Prospectus in connection with the IPO and should not be relied upon for any other purposes.

KPMG

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

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

Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

1. Introduction

The pro forma statement of financial position of Optimax Holdings Berhad ("Optimax" or the "Company") and its combining entity, Optimax Eye Specialist Centre Sdn. Bhd. ("OESC") and its subsidiaries ("OESC Group") (collectively, Optimax and OESC Group are referred to as the "Group") as at 31 December 2019 ("Pro Forma Statement of Financial Position") has been prepared for inclusion in the prospectus of the Company in connection with the initial public offering of 70,000,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("IPO").

2. Basis of preparation of the Pro Forma Statement of Financial Position

The applicable criteria in the preparation of the Pro Forma Statement of Financial Position is in accordance with Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC").

The Pro Forma Statement of Financial Position has been compiled by the Board of Directors of the Company (the "Directors") based on the audited combined financial statements of the Group for the financial year ended 31 December 2019, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, and as adjusted for the events and transactions detailed in Note 4.

For the purpose of accounting for the Pre-IPO Exercise as described in Note 3.1, the Group has applied book value accounting as all the entities within the Group are under common control by the same party before and after the Pre-IPO Exercise. Under book value accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisition of the OESC Group) and the share capital of the acquiree, OESC Group, are accounted for as a business combination reserve as follows:

	RM'000
New shares issued by the Company as consideration for the acquisition of the OESC Group (Note 3.1)	19,500
Less: Reversal of issued and paid-up share capital of the OESC Group as at 31 December 2019	(2,700)
Business combination reserve	16,800

The auditors' report of the audited combined financial statements of the Group for the financial year ended 31 December 2019 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Statement of Financial Position is not necessarily indicative of the financial position that would have been attained had the Pre-IPO Exercise and the IPO actually occurred at the respective dates. The Pro Forma Statement of Financial Position has been prepared for illustrative purposes only, and because of its nature, may not give a true picture of the actual financial position of the Group.

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

3. Listing Scheme

In conjunction with, and as an integral part of the IPO, the Company undertook the following:

3.1 Pre-IPO Exercise

On 8 January 2020, the Company entered into Share Sale Agreement ("SSA") with the shareholders of OESC to acquire the entire issued share capital of OESC for a purchase consideration of RM19,500,000 ("Purchase Consideration") 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 ("Pre-IPO Exercise"). This will result in a total issued share capital of 200,000,000 ordinary shares. The SSA was completed on 15 June 2020.

The Purchase Consideration was arrived at based on a "willing-buyer, willing-seller" basis, after taking into consideration the following:

(i) the consolidated net assets of OESC Group as at 31 July 2019 of approximately RM19,875,000; and

(ii) the deferred tax assets as at 31 July 2019 of approximately RM318,000 which was netted off.

The adjusted consolidated net assets of OESC Group as at 31 July 2019 was approximately RM19,557,000.

3.2 IPO

3.2.1 Public Issue

The public issue of 70,000,000 new ordinary shares in the Company ("Issue Shares") representing 25.93% of the enlarged issued and paid-up share capital of the Company at a price of RM0.30 per Issue Share.

3.2.2 Utilisation of Proceeds

The proceeds from the Public Issue of RM21.00 million is intended to be utilised as follows:

	RM'000
Capital expenditure(1)	10,354
Repayment of borrowings	3,520
Working capital	3,526
Estimated listing expenses(2)	3,600
	21,000

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

3. Listing Scheme (continued)

3.2 IPO (continued)

3.2.2 Utilisation of Proceeds (continued)

Notes:

(1) As at the latest practicable date of the prospectus of 31 May 2020, out of the total utilisation of proceeds for capital expenditure of RM10.35 million, RM7.05 million is not supportable by any purchase orders, sales and purchase agreements or contractual binding arrangements save for the purchase of a building in Seremban amounting to RM3.30 million (inclusive of the estimated stamp duty and registration fees) in which the sales and purchase agreement was dated 1 December 2019. However, in accordance with Paragraph 9.18(a)(ii) of the Prospectus Guidelines issued by the SC, the Group has illustrated the total utilisation of proceeds for capital expenditure of RM10.35 million to be raised from the Public Issue in the Pro Forma Statement of Financial Position.

(2) The estimated listing expenses comprise the following:

	RM'000
Professional fees	*2,580*
Fees to authorities	*70*
Brokerage, underwriting and placement fees	*670*
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the Public Issue	*280*
Total	***3,600***

From the total estimated listing expenses of RM3.600 million, RM1.429 million will be set-off against equity and the remaining RM2.171 million will be charged out to the profit or loss account. The Group has recognised RM1.005 million of listing expenses in the financial year ended 31 December 2018 and RM0.651 million of listing expenses during the financial year ended 31 December 2019 to the profit or loss, of which RM0.825 million has been paid.

4. Pro forma adjustments to the Pro Forma Statement of Financial Position

The Pro Forma Statement of Financial Position incorporates the following events or transactions:

(i) Pro Forma I – Pre-IPO Exercise

Pro Forma I incorporates the effects of the Pre-IPO Exercise detailed in Note 3.1.

(ii) Pro Forma II – IPO

Pro Forma II incorporates the effects of Pro Forma I and the effects of the Public Issue and Utilisation of Proceeds as detailed in Note 3.2.

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

5. Pro Forma Statement of Financial Position

The Pro Forma Statement of Financial Position of the Group as at 31 December 2019 as set out below has been prepared for illustrative purposes to show the effects of the transactions referred to in Note 4 had these transactions been effected on 31 December 2019, and should be read in conjunction with the notes to the Pro Forma Statement of Financial Position.

				Pro Forma I		Pro Forma II
	Note	As at 31 December 2019^	Adjustment for Pre-IPO Exercise	After the Pre-IPO Exercise	Adjustment for IPO	After Pro Forma I and the IPO
		RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	(a)	39,060	-	39,060	10,354	49,414
Right-of-use assets		10,062	-	10,062	-	10,062
Deferred tax assets		290	-	290	-	290
Total non-current assets		49,412	-	49,412	10,354	59,766
			-			
Inventories		1,810	-	1,810	-	1,810
Trade and other receivables		2,354	-	2,354	-	2,354
Prepayments		1,668	-	1,668	-	1,668
Current tax assets		152	-	152	-	152
Cash and cash equivalents	(b)	8,519	-	8,519	4,351	12,870
Total current assets		14,503	-	14,503	4,351	18,854
Total assets		63,915	-	63,915	14,705	78,620

^ *Extracted from Optimax's audited combined financial statements for the financial year ended 31 December 2019*

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

5. Pro Forma Statement of Financial Position (continued)

	Note	As at 31 December 2019^	Adjustment for Pre-IPO Exercise	Pro Forma I After the Pre-IPO Exercise	Adjustment for IPO	Pro Forma II After Pro Forma I and the IPO
		RM'000	RM'000	RM'000	RM'000	RM'000
Equity						
Share capital	(c)	*	19,500	19,500	19,571	39,071
Invested equity	(d)	2,700	(2,700)	-	-	-
Reserves	(e)	19,958	(16,800)	3,158	(515)	2,643
Total equity attributable to owners of the Company		22,658	-	22,658	19,056	41,714
Non-controlling interests		1,579	-	1,579	-	1,579
Total equity		24,237	-	24,237	19,056	43,293
Liabilities						
Deferred tax liabilities		628	-	628	-	628
Loans and borrowings	(f)	16,113	-	16,113	(3,384)	12,729
Lease liabilities		6,898	-	6,898	-	6,898
Total non-current liabilities		23,639	-	23,639	(3,384)	20,255

^ *Extracted from Optimax's audited combined financial statements for the financial year ended 31 December 2019*
* *Denotes RM1.00*

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

5. Pro Forma Statement of Financial Position (continued)

	Note	As at 31 December 2019^ RM'000	Adjustment for Pre-IPO Exercise RM'000	Pro Forma I After the Pre-IPO Exercise RM'000	Adjustment for IPO RM'000	Pro Forma II After Pro Forma I and the IPO RM'000
Loans and borrowings	(f)	4,082	-	4,082	(136)	3,946
Lease liabilities		1,710	-	1,710	-	1,710
Trade and other payables	(g)	9,327	-	9,327	(831)	8,496
Current tax liabilities		920	-	920	-	920
Total current liabilities		16,039	-	16,039	(967)	15,072
Total liabilities		39,678	-	39,678	(4,351)	35,327
Total equity and liabilities		63,915	-	63,915	14,705	78,620
No. of shares ('000)		**	200,000	200,000	70,000	270,000

^ *Extracted from Optimax's audited combined financial statements for the financial year ended 31 December 2019*
** *Denotes 1 share*

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

5.1 Effects on the Pro Forma Statement of Financial Position

(a) Movement in property, plant and equipment

	RM'000
Balance as at 31 December 2019/ Pro Forma I	39,060
Effects of Pro Forma II:	
- Utilisation of proceeds from the IPO	
(i) Capital expenditure	10,354
Pro Forma II	49,414

(b) Movement in cash and cash equivalents

	RM'000
Balance as at 31 December 2019/ Pro Forma I	8,519
Effects of Pro Forma II:	
- Proceeds from the IPO	21,000
- Utilisation of proceeds from the IPO	
(i) Capital expenditure	(10,354)
(ii) Estimated listing expenses	(2,775)
(iii) Repayment of borrowings	(3,520)
Pro Forma II	12,870

(c) Movement in share capital

	RM'000
Balance as at 31 December 2019	*
Effects of Pro Forma I:	
- Pre-IPO Exercise	19,500
Pro Forma I	19,500
Effects of Pro Forma II:	
- IPO	21,000
- Utilisation of proceeds from the IPO	
(i) Estimated listing expenses	(1,429)
Pro Forma II	39,071

** Denotes RM1.00*

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

5.1 Effects on the Pro Forma Statement of Financial Position (continued)

(d) Movement in invested equity

	RM'000
Balance as at 31 December 2019	2,700
Effects of Pro Forma I:	
- Pre-IPO Exercise	(2,700)
Pro Forma I and Pro Forma II	-

(e) Movement in reserves

	Business combination reserve RM'000	Retained earnings RM'000	Total RM'000
Balance as at 31 December 2019	(1)(686)	20,644	19,958
Effects of Pro Forma I:			
- Pre-IPO Exercise	(2)(16,800)	-	(16,800)
Pro Forma I	(17,486)	20,644	3,158
Effects of Pro Forma II:			
- Utilisation of proceeds from the IPO			
(i) Estimated listing expenses	-	(515)	(515)
Pro Forma II	(17,486)	20,129	2,643

Notes:

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

(2) *This business combination reserve arose from the acquisition of the OESC Group for the purpose of a restructuring under the Pre-IPO Exercise.*

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Attachment A

Optimax Holdings Berhad
Pro Forma Statement of Financial Position and the notes thereon

5.1 Effects on the Pro forma Statement of Financial Position (continued)

(f) Movement in loans and borrowings

Non-current liabilities	**RM'000**
Balance as at 31 December 2019/ Pro Forma I	16,113
Effects of Pro Forma II:	
- Utilisation of proceeds from the IPO	
(i) Repayment of borrowings	(3,384)
Pro Forma II	12,729

Current liabilities	
Balance as at 31 December 2019/ Pro Forma I	4,082
Effects of Pro Forma II:	
- Utilisation of proceeds from the IPO	
(i) Repayment of borrowings	(136)
Pro Forma II	3,946

(g) Movement in trade and other payables

	RM'000
Balance as at 31 December 2019/ Pro Forma I	9,327
Effects of Pro Forma II:	
- Utilisation of proceeds from the IPO	
(i) Estimated listing expenses	(831)
Pro Forma II	8,496

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Optimax Holdings Berhad

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

Accountants' Report on the Combined Financial Statements

Optimax Holdings Berhad

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

Combined statements of financial position

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	39,060	36,658	28,238	25,469
Right-of-use assets	4	10,062	8,758	3,460	1,552
Deferred tax assets	5	290	351	334	17
Total non-current assets		49,412	45,767	32,032	27,038
Inventories	6	1,810	1,862	1,381	978
Trade and other receivables	7	2,354	1,387	2,910	1,459
Prepayments		1,668	884	210	147
Current tax assets		152	755	538	9
Cash and cash equivalents	8	8,519	5,534	3,202	2,801
Total current assets		14,503	10,422	8,241	5,394
Total assets		63,915	56,189	40,273	32,432
Equity					
Share capital	9	*	*	-	-
Invested equity	9	2,700	2,700	2,700	2,500
Reserves	9	19,958	18,094	13,639	9,722
Total equity attributable to owners of the Company		22,658	20,794	16,339	12,222
Non-controlling interests		1,579	1,204	213	(1,354)
Total equity		24,237	21,998	16,552	10,868
Liabilities					
Deferred tax liabilities	5	628	811	572	-
Loans and borrowings	10	16,113	16,623	10,921	11,296
Lease liabilities		6,898	5,671	2,283	740
Other payables	11	-	208	-	-
Total non-current liabilities		23,639	23,313	13,776	12,036
Loans and borrowings	10	4,082	2,042	3,613	2,927
Lease liabilities		1,710	1,446	1,263	859
Trade and other payables	11	9,327	7,385	5,069	5,388
Current tax liabilities		920	5	-	354
Total current liabilities		16,039	10,878	9,945	9,528
Total liabilities		39,678	34,191	23,721	21,564
Total equity and liabilities		63,915	56,189	40,273	32,432

* Denotes RM1

Optimax Holdings Berhad

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

Combined statements of profit or loss and other comprehensive income

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	12	62,619	49,234	36,015	29,962
Other income		87	94	2,933	869
Inventories and consumables		(12,875)	(10,553)	(8,261)	(6,126)
Staff costs	13	(23,617)	(18,266)	(12,204)	(11,768)
Depreciation expenses		(5,642)	(5,324)	(3,726)	(3,751)
Other expenses		(6,587)	(6,160)	(4,244)	(3,840)
Net loss on impairment of financial instruments	15	-	-	(37)	(3)
Results from operating activities		13,985	9,025	10,476	5,343
Finance income		48	20	4	-
Finance costs	14	(1,461)	(1,244)	(897)	(683)
Profit before tax	15	12,572	7,801	9,583	4,660
Tax expense	16	(3,833)	(2,831)	(2,203)	(1,525)
Profit and total comprehensive income for the financial year		8,739	4,970	7,380	3,135
Profit and total comprehensive income attributable to:					
Owners of the Company		7,831	4,445	7,390	3,240
Non-controlling interests		908	525	(10)	(105)
Profit and total comprehensive income for the financial year		8,739	4,970	7,380	3,135
Basic earnings per ordinary share (RM)	17	2.90	1.65	2.74	1.20

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

Combined statements of changes in equity

		Attributable to owners of the Company						
		Non-distributable			Distributable			
	Note	Share capital RM'000	Invested equity RM'000	Business combination reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016		-	2,500	-	6,508	9,008	(1,249)	7,759
Adjustment on initial application of MFRS 16	29	-	-	-	(26)	(26)	-	(26)
At 1 January 2016		-	2,500	-	6,482	8,982	(1,249)	7,733
Profit and total comprehensive income for the financial year		-	-	-	3,240	3,240	(105)	3,135
At 31 December 2016/1 January 2017		-	2,500	-	9,722	12,222	(1,354)	10,868
Bonus issue		-	200	-	(200)	-	-	-
Effect of acquisition of common control subsidiaries	24 (A)	-	-	(686)	-	(686)	-	(686)
Acquisition of subsidiaries	24 (B)	-	-	-	-	-	(1)	(1)
Changes in ownership interests in subsidiaries	27	-	-	-	(1,502)	(1,502)	1,578	76
Dividends to owners of the Company	18	-	-	-	(1,085)	(1,085)	-	(1,085)
Profit and total comprehensive income for the financial year		-	-	-	7,390	7,390	(10)	7,380
At 31 December 2017		-	2,700	(686)	14,325	16,339	213	16,552
		Note 9						

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Combined statements of changes in equity (continued)

		Attributable to owners of the Company						
		Non-distributable			Distributable			
	Note	Share capital RM'000	Invested equity RM'000	Business combination reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		-	2,700	(686)	14,325	16,339	213	16,552
At date of incorporation		*	-	-	-	*	-	*
Disposal of subsidiaries	26	-	-	-	-	-	466	466
Changes in ownership interests in a subsidiary	27	-	-	-	10	10	-	10
Profit and total comprehensive income for the financial year		-	-	-	4,445	4,445	525	4,970
At 31 December 2018/1 January 2019		*	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	18	-	-	-	(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		*	2,700	(686)	20,644	22,658	1,579	24,237
		Note 9						

* Denotes RM1

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Combined statements of cash flows

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		12,572	7,801	9,583	4,660
Adjustments for:					
Net loss on impairment of financial instruments	15	-	-	37	3
Waiver of debt	15	-	-	274	-
Impairment of goodwill	15	-	-	2	-
Finance income	15	(48)	(20)	(4)	-
Finance costs	14	1,461	1,244	897	683
Depreciation of property, plant and equipment	15	3,902	3,595	2,451	2,735
Depreciation of right-of-use assets	15	1,740	1,729	1,275	1,016
Gain on derecognition of right-of-use assets	15	(23)	-	-	-
Loss on disposal of subsidiaries	26	-	267	-	-
Property, plant and equipment written off	15	1	1	-	45
Loss/(Gain) on disposal of property, plant and equipment	15	-	1	-	(2)
Initial public offering expenses	15	651	1,005	-	-
Operating profit before working capital changes		20,256	15,623	14,515	9,140
Changes in working capital:					
Inventories		52	(481)	(283)	(102)
Prepayments		(553)	(674)	(63)	129
Trade and other receivables		8	79	(109)	(473)
Trade and other payables		791	1,592	(2,827)	1,329
Cash generated from operations		20,554	16,139	11,233	10,023
Interest received		48	20	4	-
Interest paid		(509)	(434)	(253)	(167)
Tax refund		821	-	-	-
Tax paid		(3,258)	(2,821)	(2,854)	(1,562)
Net cash from operating activities		17,656	12,904	8,130	8,294

Combined statements of cash flows (continued)

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Acquisition of business	25	-	-	(173)	-
Acquisition of non-controlling interests	27	(90)	-	76	-
Acquisition of property, plant and equipment		(3,714)	(5,276)	(1,953)	(17,769)
Acquisition of leasehold land	4	-	(1,818)	-	-
Acquisition of subsidiaries, net of cash and cash equivalents acquired	24	-	-	(67)	-
Deposits paid for acquisition of property, plant and equipment		(975)	-	(1,444)	-
Disposal of non-controlling interests	27	-	10	-	-
Proceeds from disposal of property, plant and equipment		-	66	76	9
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed	26	-	(9)	-	-
Changes in pledged deposits		(329)	(416)	(304)	-
Net cash used in investing activities		(5,108)	(7,443)	(3,789)	(17,760)
Cash flows from financing activities					
Dividends paid to owners of the Company	18	(6,000)	-	(1,085)	-
Dividends paid to non-controlling interests		(410)	-	-	-
Drawdown of term loans		-	3,655	-	11,400
Interest paid		(952)	(810)	(644)	(516)
Repayment to former holding company		-	-	-	(368)
Repayment of hire purchase liabilities		(1,633)	(1,143)	(186)	(2,188)
Repayment of term loans		(779)	(1,457)	(996)	(950)
Payment of listings expenses		(384)	(441)	-	-
Repayment of lease liabilities		(1,530)	(1,638)	(1,236)	(995)
Net (used in)/from financing activities		(11,688)	(1,834)	(4,147)	6,383
Net increase/(decrease) in cash and cash equivalents		860	3,627	194	(3,083)
Cash and cash equivalents at date of incorporation		-	*	-	-
Cash and cash equivalents at the beginning of financial year		4,814	1,187	993	4,076
Cash and cash equivalents at the end of financial year		5,674	4,814	1,187	993

* Denotes RM1

Combined statements of cash flows (continued)

(i) Cash and cash equivalents

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

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Cash and cash equivalents	8	8,519	5,534	3,202	2,801
Bank overdraft	10	(1,796)	-	(1,711)	(1,808)
		6,723	5,534	1,491	993
Pledged deposits	8	(1,049)	(720)	(304)	-
		5,674	4,814	1,187	993

(ii) Cash outflows for leases as a lessee

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	15	157	-	-	79
Payment relating to leases of low-value assets	15	11	2	-	-
Interest paid in relation to lease liabilities	14	461	340	149	105
Included in net cash from financing activities:					
Payment of lease liabilities		1,530	1,638	1,236	995
Total cash outflows for leases		2,159	1,980	1,385	1,179

Combined statements of cash flows (continued)

(iii) Acquisition of property, plant and equipment

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

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Paid in cash		3,120	4,677	1,571	17,567
In the form of hire purchase		1,111	4,125	511	403
Deposits paid in prior financial year		-	1,444	-	-
Balances remained unpaid at financial year end	11.1	2,074	1,837	1,261	382
		6,305	12,083	3,343	18,352

During the financial year, the Group paid the remaining outstanding amounts in relation to property, plant and equipment acquired in the previous financial year of RM594,000 (2018: RM599,000, 2017: RM382,000, 2016: RM202,000). The Group also entered into hire purchase arrangement to finance the plant and equipment acquired in the previous financial year of RM1,035,000 (2018: RM662,000, 2017: RM Nil, 2016: RM Nil).

Combined statements of cash flows (continued)

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

	At 1.1.2016 RM'000	Payments RM'000	Drawdown of term loans RM'000	Acquisition of new lease RM'000	At 31.12.2016 RM'000
Term loans	1,550	(950)	11,400	-	12,000
Hire purchase liabilities	2,200	(2,188)	-	403	415
Lease liabilities	1,583	(995)	-	1,011	1,599
	5,333	(4,133)	11,400	1,414	14,014

	At 1.1.2017 RM'000	Payments RM'000	Acquisition of new lease RM'000	Acquisition of subsidiaries (Note 24) RM'000	At 31.12.2017 RM'000
Term loans	12,000	(996)	-	-	11,004
Hire purchase liabilities	415	(186)	511	1,079	1,819
Lease liabilities	1,599	(1,236)	3,183	-	3,546
	14,014	(2,418)	3,694	1,079	16,369

Combined statements of cash flows (continued)

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

	At 1.1.2018 RM'000	Payments RM'000	Acquisition of new lease RM'000	Drawdown of term loans RM'000	At 31.12.2018 RM'000
Term loans	11,004	(1,457)	-	3,655	13,202
Hire purchase liabilities	1,819	(1,143)	4,787	-	5,463
Lease liabilities	3,546	(1,638)	5,209	-	7,117
	16,369	(4,238)	9,996	3,655	25,782

	At 1.1.2019 RM'000	Payments RM'000	Acquisition of new lease RM'000	Derecognition of lease RM'000	Remeasure-ment RM'000	At 31.12.2019 RM'000
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
	25,782	(3,942)	3,757	(261)	1,671	27,007

Optimax Holdings Berhad

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Notes to the combined financial statements

Optimax Holdings Berhad (the "Company") is a public company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
145-2, Jalan Radin Bagus
Seri Petaling
57000 Kuala Lumpur, Wilayah Persekutuan

Registered office
Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur, Wilayah Persekutuan

The Company has not commenced operations since the date of its incorporation and the intended principal activity of the Company is investment holding. The principal activities of the combining entity, Optimax Eye Specialist Centre Sdn. Bhd. ("OESC") and its subsidiaries ("OESC Group" or "Combining Entity") are stated in Note 28 to the combined financial statements.

1. Basis of preparation

The Company was incorporated on 9 August 2018 for the purpose of a restructuring exercise that will result in the Company becoming the holding company of OESC.

The combined financial statements consist of the financial statements of the Company and the OESC Group, under the common control of Dato' Tan Boon Hock (collectively referred to as the "Group").

The combined financial statements of the Group have been prepared in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes ("Listing").

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2019, 2018, 2017 and 2016.

The common control of the Group has been established since the set-up of the Group by virtue of Dato' Tan Boon Hock being the major shareholder and promoter of the Group.

1. Basis of preparation (continued)

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exist when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group, after incorporating/ effecting the relevant acquisitions. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operation and cash flows of the Group.

(a) Statement of compliance

The combined financial statements of the Group for the financial years ended 31 December 2019, 2018, 2017 and 2016 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

Changes in accounting policies

The Group has adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2019.

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards.

The Group adopted MFRS 15, *Revenue from Contracts with Customers* retrospectively.

The adoption of MFRS 15, *Revenue from Contracts with Customers* does not have material financial impact to the financial statements of the Group.

(ii) MFRS 9, *Financial Instruments*

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Changes in accounting policies (continued)

(ii) MFRS 9, *Financial Instruments (continued)*

The Group adopted MFRS 9, *Financial Instruments* retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group has elected not to restate the comparatives.

The adoption of MFRS 9, *Financial Instruments* does not have material financial impact to the financial statements of the Group, other than trade and other receivables and cash and cash equivalents that were classified as loans and receivables under MFRS 139 which are now reclassified as amortised cost.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The adoption of MFRS 16 has a material financial impact to the combined financial statements of the Group. The combined comparative figures were restated and the cumulative impact arising from the adoption was recognised in the retained earnings as at 1 January 2016 as disclosed in Note 29.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- MFRS 17, *Insurance Contracts*

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 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- 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 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 plans to apply the abovementioned amendments:

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020;

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020; and

- from the annual period beginning on 1 January 2022 for the amendments that are effective for annual periods beginning on or after 1 January 2022.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group.

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 and on the assumption that the Group is a going concern.

The ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cash flows. In the opinion of the Directors, the Group is able to continue as a going concern despite its net current liabilities position as the Directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date these financial statements were approved and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise.

1. Basis of preparation (continued)

(c) Functional and presentation currency

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

(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 as disclosed below:

- *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 5 – 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 difference 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.

- *Note 6 – net realisable value of inventories*

  Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers*, MFRS 9, *Financial Instruments* and MFRS 16, *Leases,* there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition;
iii) impairment losses of financial instruments; and
iv) leases

as compared to those adopted in previous financial years' audited financial statements. The impacts arising from the changes are disclosed in Note 29.

(a) Basis of combination

(i) Combining entities

The combined financial statements comprise the financial statements of the Company and its combining entities as at the reporting dates. The financial statements of the Company and its combining entities used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entities ("Controlling Shareholders"), and are accounted for as if the Company and the combining entities are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities are added to the same components within the Group's equity and any resulting gain/loss is recognised directly in equity.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have *de facto* power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

2. Significant accounting policies (continued)

(a) Basis of combination (continued)

(ii) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the combined 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.

(iii) 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.

2. Significant accounting policies (continued)

(a) Basis of combination (continued)

(iv) Acquisitions from entities under common control

Businesses that were transferred from common controlling shareholders under the internal group reorganisation are accounted for using the pooling-of-interests method of accounting as the reorganisation is deemed as a common control transaction.

Under the pooling-of-interests method of accounting, assets and liabilities transferred are measured at the carrying amounts recognised in the statement of financial position prior to the reorganisation. The difference between the consideration transferred and the carrying amounts of the assets and liabilities transferred are taken to equity.

(v) 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 combined 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 combined statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial 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.

(vi) 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.

2. Significant accounting policies (continued)

(a) Basis of combination (continued)

(vii) 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 combined 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.

(viii) Transactions eliminated on combination

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

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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.

2. Significant accounting policies (continued)

(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 becomes a party to the contractual provisions of the instrument.

Financial years ended 31 December 2019 and 31 December 2018

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.

Financial years ended 31 December 2017 and 31 December 2016

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was 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

Financial years ended 31 December 2019 and 31 December 2018

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group 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.

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.

Financial assets are subject to impairment assessment (see Note 2(h)(i)).

Financial years ended 31 December 2017 and 31 December 2016

In the previous financial years, financial assets of the Group were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

Financial assets were subject to impairment assessment (see Note 2(h)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

Financial years ended 31 December 2019 and 31 December 2018

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.

Financial years ended 31 December 2017 and 31 December 2016

In the previous financial years, financial liabilities of the Group were subsequently measured at amortised cost.

(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.

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 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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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.

(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 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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement

(a) 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.

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 entities' incremental borrowing rate. Generally, the 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)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

(iii) Subsequent measurement

(a) 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.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

2. Significant accounting policies (continued)

(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 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.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, 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 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

Financial years ended 31 December 2019 and 31 December 2018

The Group recognises 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 measures 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 considers 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.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

Financial years ended 31 December 2019 and 31 December 2018 (continued)

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 is exposed to credit risk.

The Group estimates 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.

At each reporting date, the Group assesses 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 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 procedures for recovery amounts due.

Financial years ended 31 December 2017 and 31 December 2016

All financial assets were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

Financial years ended 31 December 2017 and 31 December 2016 (continued)

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(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.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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.

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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(l) Revenue and other income (continued)

(ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Interest income

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

(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 of 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 assets 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.

2. Significant accounting policies (continued)

(n) Income tax (continued)

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.

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.

2. Significant accounting policies (continued)

(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.

(r) Fair value measurement

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.

3. Property, plant and equipment

	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 2016	-	-	3,507	36,412	4,462	269	-	44,650
Additions	14,636	2,580	30	803	236	67	-	18,352
Disposal	-	-	(7)	(2)	-	(52)	-	(61)
Written-off	-	-	(205)	(2,321)	-	-	-	(2,526)
At 31 December 2016/1 January 2017	14,636	2,580	3,325	34,892	4,698	284	-	60,415
Acquisition of subsidiaries	-	-	48	1,802	-	-	-	1,850
Acquisition of a business	-	-	36	67	-	-	-	103
Additions	-	-	199	2,691	373	80	-	3,343
Disposal	-	-	(1)	(83)	-	-	-	(84)
Written-off	-	-	(2)	(2)	-	-	-	(4)
At 31 December 2017/1 January 2018	14,636	2,580	3,605	39,367	5,071	364	-	65,623
Additions	-	3,635	545	6,272	589	828	214	12,083
Disposal	-	-	(7)	-	-	(80)	-	(87)
Written-off	-	-	(3)	(1)	-	-	-	(4)
At 31 December 2018/1 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	14,636	6,215	4,506	49,377	5,941	1,112	2,132	83,919

3. Property, plant and equipment (continued)

	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
Accumulated depreciation								
At 1 January 2016	-	-	2,869	29,437	2,240	200	-	34,746
Charge for the financial year	-	52	177	2,089	393	24	-	2,735
Disposal	-	-	(2)	-	-	(52)	-	(54)
Written-off	-	-	(164)	(2,317)	-	-	-	(2,481)
At 31 December 2016/1 January 2017	-	52	2,880	29,209	2,633	172	-	34,946
Charge for the financial year	-	52	176	1,792	393	38	-	2,451
Disposal	-	-	-	(8)	-	-	-	(8)
Written-off	-	-	(2)	(2)	-	-	-	(4)
At 31 December 2017/1 January 2018	-	104	3,054	30,991	3,026	210	-	37,385
Charge for the financial year	-	52	246	2,623	514	160	-	3,595
Disposal	-	-	(5)	-	-	(15)	-	(20)
Written-off	-	-	(2)	(1)	-	-	-	(3)
At 31 December 2018/1 January 2019	-	156	3,293	33,613	3,540	355	-	40,957
Charge for the financial year	-	140	232	2,871	470	189	-	3,902
At 31 December 2019	-	296	3,525	36,484	4,010	544	-	44,859
Carrying amount								
At 1 January 2016	-	-	638	6,975	2,222	69	-	9,904
At 31 December 2016/1 January 2017	14,636	2,528	445	5,683	2,065	112	-	25,469
At 31 December 2017/1 January 2018	14,636	2,476	551	8,376	2,045	154	-	28,238
At 31 December 2018/1 January 2019	14,636	6,059	847	12,025	2,120	757	214	36,658
At 31 December 2019	14,636	5,919	981	12,893	1,931	568	2,132	39,060

3. Property, plant and equipment (continued)

3.1 Assets under hire purchase

Carrying amount of property, plant and equipment held under hire purchase arrangements are as follows:

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Operation equipment	6,282	5,223	1,864	353
Motor vehicles	286	406	49	111
Furniture, fittings and office equipment	212	161	-	-
	6,780	5,790	1,913	464

3.2 Security

Included in property, plant and equipment are certain property, plant and equipment with net carrying amount of RM20,555,000 (2018: RM20,695,000, 2017: RM17,383,000, 2016: RM17,368,000) which were pledged to a financial institution to secure term loan facility granted to the Group as disclosed in Note 10.

3.3 Buildings subject to operating lease

The Group leased its office space to third party in the financial year ended 31 December 2016. The lease commenced on 1 February 2015 with a lease period of 3 years. Nevertheless, the lease agreement was terminated by the lessee in the financial year ended 31 December 2016. The lease income recognised in profit or loss was amounting to RM26,000 for the financial year ended 31 December 2016.

4. Right-of-use assets

	Leasehold land RM'000	Buildings RM'000	Operation equipment RM'000	Total RM'000
Cost				
At 1 January 2016	-	1,557	-	1,557
Additions	-	1,011	-	1,011
Depreciation	-	(1,016)	-	(1,016)
At 31 December 2016/ 1 January 2017	-	1,552	-	1,552
Additions	-	3,183	-	3,183
Depreciation	-	(1,275)	-	(1,275)
At 31 December 2017/ 1 January 2018	-	3,460	-	3,460
Additions	1,818	5,209	-	7,027
Depreciation	-	(1,729)	-	(1,729)
At 31 December 2018/ 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	1,798	7,775	489	10,062

The Group had purchased a leasehold land in the financial year ended 31 December 2018 and amortised the land over the remaining lease term of 89 years.

The Group also leases a number of buildings for its offices and clinics as well as 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.

4.1 Extension options

All of the office 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 change in circumstances within its control.

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 considers 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.

4. Right-of-use assets (continued)

4.2 Significant judgements and assumptions in relation to leases (continued)

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines 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

The leasehold land with net carrying amount of RM1,798,000 (2018: RM1,818,000, 2017: RM Nil, 2016: RM Nil) were pledged to a financial institution to secure term loan facility granted to the Group as disclosed in Note 10.

5. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			
	2019 RM'000	**2018 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	-	-	-	14
Lease liabilities	1,833	1,508	783	321
Provision	1	-	4	-
Unutilised tax losses	236	308	231	-
Tax assets	2,070	1,816	1,018	335
Set-off	(1,780)	(1,465)	(684)	(318)
	290	351	334	17

	Liabilities			
	2019 RM'000	**2018 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	(655)	(806)	(492)	(7)
Right-of-uses assets	(1,753)	(1,470)	(764)	(311)
Tax liabilities	(2,408)	(2,276)	(1,256)	(318)
Set-off	1,780	1,465	684	318
	(628)	(811)	(572)	-

5. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities (continued)

	Net			
	2019 RM'000	**2018 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	(655)	(806)	(492)	7
Right-of-use assets	(1,753)	(1,470)	(764)	(311)
Lease liabilities	1,833	1,508	783	321
Provision	1	-	4	-
Unutilised tax losses	236	308	231	-
Tax (liabilities)/assets	(338)	(460)	(238)	17
Set-off	-	-	-	-
Net tax (liabilities)/assets	(338)	(460)	(238)	17

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.

Unrecognised deferred tax assets

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

	2019 RM'000	**2018 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	67	22	(60)	(39)
Right-of-use assets	(962)	(585)	(279)	(35)
Lease liabilities	973	596	283	38
Unabsorbed capital allowances	560	450	301	1,606
Unutilised tax losses	657	320	233	1,726
	1,295	803	478	3,296
Deferred tax assets not recognised at 24%	311	193	115	791

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.

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.

5. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the financial year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2016 RM'000
Property, plant and equipment	14	(7)	7
Right-of-use assets	-	(311)	(311)
Lease liabilities	-	321	321
Total	14	3	17

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 16) RM'000	Acquisition of subsidiaries (Note 24) RM'000	At 31.12.2017 RM'000
Property, plant and equipment	7	(476)	(23)	(492)
Right-of-use assets	(311)	(453)	-	(764)
Lease liabilities	321	462	-	783
Provision	-	4	-	4
Unutilised tax losses	-	231	-	231
Total	17	(232)	(23)	(238)

	At 1.1.2018 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2018 RM'000
Property, plant and equipment	(492)	(314)	(806)
Right-of-use assets	(764)	(706)	(1,470)
Lease liabilities	783	725	1,508
Provision	4	(4)	-
Unutilised tax losses	231	77	308
Total	(238)	(222)	(460)

	At 1.1.2019 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2019 RM'000
Property, plant and equipment	(806)	151	(655)
Right-of-use assets	(1,470)	(283)	(1,753)
Lease liabilities	1,508	325	1,833
Provision	-	1	1
Unutilised tax losses	308	(72)	236
Total	(460)	122	(338)

6. Inventories

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
At cost:				
Medicine and disposable consumables	1,810	1,862	1,381	978
Recognised in profit or loss	12,226	9,815	7,702	5,632

7. Trade and other receivables

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Current					
Trade					
Trade receivables		518	425	343	365
Non-trade					
Other receivables	7.1	241	394	684	618
Deposits	7.2	1,595	568	1,883	476
		1,836	962	2,567	1,094
		2,354	1,387	2,910	1,459

7.1 Included in other receivables of the Group is an amount totalling of RM175,000 (2018: RM Nil, 2017: RM Nil, 2016: RM15,000) owing from the companies in which certain Directors have financial interests. The amount owing from the companies in which certain Directors have financial interests is unsecured, interest free and repayable on demand.

7.2 Included in the deposits of the Group are an amount totalling of RM131,000 (2018: RM96,000, 2017: RM1,475,000, 2016: RM165,000) and RM35,000 (2018: RM35,000, 2017: RM20,000, 2016: RM Nil) paid to the companies in which certain Directors have financial interests and to a Director. The deposits relate to rental deposits paid of RM166,000 (2018: RM131,000, 2017: RM95,000, 2016: RM165,000) and deposits of RM1,400,000 paid for purchase of building in financial year ended 31 December 2017.

Included in the deposits of the Group is an amount totalling of RM975,000 relating to the deposit paid for the acquisition of property, plant and equipment in the financial year ended 31 December 2019.

8. Cash and cash equivalents

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	7,470	4,814	2,898	2,801
Deposits placed with licensed banks	1,049	720	304	-
	8,519	5,534	3,202	2,801

Included in the deposits placed with licensed banks of the Group is RM1,049,000 (2018: RM720,000, 2017: RM304,000, 2016: RM Nil) pledged for a bank overdraft facility granted to the Group.

9. Share capital, invested equity and reserves

(a) Share capital

	Amount 2019 RM'000	Number of shares 2019 '000	Amount 2018 RM'000	Number of shares 2018 '000	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Issued and fully paid shares with no par value classified as equity instruments:								
Ordinary shares								
At the beginning of financial year/date of incorporation	*	*	*	*	-	-	-	-
At the end of financial year	*	*	*	*	-	-	-	-

* Denotes RM1, consisting of 1 ordinary share

9. Share capital, invested equity and reserves (continued)

(b) Invested equity

	Amount 2019 RM'000	Number of shares 2019 '000	Amount 2018 RM'000	Number of shares 2018 '000	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Issued and fully paid shares with no par value classified as equity instruments:								
Ordinary shares								
At the beginning of financial year	2,700	2,700	2,700	2,700	2,500	2,500	2,500	2,500
Bonus issue during the financial year	-	-	-	-	200	200	-	-
At the end of financial year	2,700	2,700	2,700	2,700	2,700	2,700	2,500	2,500

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.

During the financial year ended 31 December 2017, OESC increased its issued and paid-up share capital from RM2,500,000 to RM2,700,000 by way of bonus issue of 200,000 ordinary shares on the basis of 2 bonus share for every 25 existing ordinary share.

Business combination reserve

The business combination reserve comprises the difference between the consideration paid and net assets acquired in acquisition of common control subsidiaries.

10. Loans and borrowings

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Non-current					
Term loans – secured	10.1	11,885	12,435	9,153	10,129
Term loans – unsecured	10.1	-	-	322	839
Hire purchase liabilities	10.2	4,228	4,188	1,446	328
		16,113	16,623	10,921	11,296
Current					
Term loans – secured	10.1	538	445	1,012	617
Term loans – unsecured	10.1	-	322	517	415
Hire purchase liabilities	10.2	1,748	1,275	373	87
Bank overdrafts – secured	10.3	1,796	-	1,711	1,808
		4,082	2,042	3,613	2,927
		20,195	18,665	14,534	14,223

10.1 Term loans

The term loans consisting of:

(a) The Term Loan I was Islamic term financings which beared profits at Nil% (2018: 6.95%, 2017: 6.70%, 2016: 6.65%) per annum with monthly repayment instalments. The term loan was secured and supported by:
- specific debentures created over certain property, plant and equipment as disclosed in Note 3.

The outstanding balance of Term Loan I as at the financial year end was RM Nil (2018: RM Nil, 2017: RM698,000, 2016: RM953,000).

(b) The Term Loan II bears interest at rate of 4.12% (2018: 4.62%, 2017: 4.87%, 2016: 4.75% to 4.87%) 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 Group.

The outstanding balance of Term Loan II as at the financial year end is RM8,885,000 (2018: RM9,225,000, 2017: RM9,467,000, 2016: RM9,793,000).

10. Loans and borrowings (continued)

10.1 Term loans (continued)

(c) The Term Loan III beared interest at rate of Nil% (2018: 8.50%, 2017: 8.50%, 2016: 8.50%) per annum with monthly repayment instalments. The term loan was supported by personal guarantee by a shareholder of the Group.

The outstanding balance of Term Loan III as at the financial year end was RM Nil (2018: RM322,000, 2017: RM839,000, 2016: RM1,254,000).

(d) The Term Loan IV bears interest at rate of 4.02% (2018: 4.52%, 2017: Nil%, 2016: Nil%) per annum with monthly repayment instalments. The term loan is 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 Group.

The outstanding balance of Term Loan IV as at the financial year end is RM3,538,000 (2018: RM3,655,000, 2017: RM Nil, 2016: RM Nil).

10.2 Hire purchase liabilities

Hire purchase liabilities are payable as follow:

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
2019			
Less than one year	2,067	319	1,748
Between one to five years	4,556	328	4,228
	6,623	647	5,976
2018			
Less than one year	1,591	316	1,275
Between one to five years	4,600	412	4,188
	6,191	728	5,463

10. Loans and borrowings (continued)

10.2 Hire purchase liabilities (continued)

	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
2017			
Less than one year	477	104	373
Between one to five years	1,597	159	1,438
More than five years	8	-	8
	2,082	263	1,819
2016			
Less than one year	110	23	87
Between one to five years	352	42	310
More than five years	18	-	18
	480	65	415

10.3 Bank overdrafts

The bank overdrafts consisting of:

(a) The bank overdraft I bears interest at rate of 6.60% per annum in the financial year ended 31 December 2016 and was secured by:
- a property located at Kulim, Kedah from a company in which Director has financial interest; and
- personal guarantee provided by a shareholder of the Group.

The Group terminated the bank overdraft I facility during the financial year ended 31 December 2017.

(b) The bank overdraft II bears interest at rate of 7.70% (2018: 7.95%, 2017: 7.65%, 2016: 7.65%) per annum and secured by:
- corporate guarantee by a company in which Director has financial interest;
- personal guarantee provided by a shareholder of the Group;
- guarantee by government agency; and
- pledged deposits with licensed bank as disclosed in Note 8.

The outstanding balance of bank overdraft II as at the financial year end is RM1,796,000 (2018: RM Nil, 2017: RM1,711,000, 2016: RM1,604,000).

11. Trade and other payables

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Non-current					
Non-trade					
Other payables	11.1	-	208	-	-
Current					
Trade					
Trade payables		2,007	1,849	1,525	2,106
Non-trade					
Accruals and provisions		3,666	2,333	919	703
Deposits		388	309	207	155
Other payables	11.1	3,266	2,894	2,418	2,424
		7,320	5,536	3,544	3,282
		9,327	7,385	5,069	5,388
		9,327	7,593	5,069	5,388

11.1 Included in other payables of the Group is an amount totalling RM2,282,000 (2018: RM1,837,000, 2017: RM1,261,000, 2016: RM382,000) relating to the acquisition of property, plant and equipment. In the financial year ended 31 December 2018, included in the non-current other payables of the Group is RM208,000 which was non-trade in nature, interest free and not repayable within the next twelve months. The amount has been reclassified to current liabilities for the financial year ended 31 December 2019 in accordance to the repayment terms.

Included in other payables of the Group is amount totalling RM17,000 (2018: RM203,000, 2017: RM66,000, 2016: RM1,423,000) owing to the companies in which certain Directors have financial interests. The amount owing to the companies in which certain Directors have financial interests is unsecured, interest free and repayable on demand.

12. Revenue

Disaggregation of revenue from contracts with customers

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Medicine and others	3,281	2,356	1,331	1,072
Medical services	59,338	46,878	34,684	28,890
	62,619	49,234	36,015	29,962

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

12. Revenue (continued)

Nature of 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 element in consideration, obligation for returns or refunds nor warranty in the provision of the services by the Group.

13. Staff costs

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Director fees	47	74	123	60
Wages, salaries and others (including key management personnel's remuneration)	21,279	16,349	10,898	11,122
Contributions to Employees Provident Fund	2,291	1,843	1,183	586
	23,617	18,266	12,204	11,768

Staff costs include key management personnel and is disclosed in Note 23 (C).

14. Finance costs

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Interest expenses arising from:				
- term loans	578	533	587	413
- hire purchase liabilities	374	277	57	103
- bank overdrafts	34	80	89	47
- lease liabilities	461	340	149	105
- others	14	14	15	15
	1,461	1,244	897	683

15. Profit before tax

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging/(crediting):					
Auditors' remuneration					
- Audit fees					
KPMG PLT					
- Statutory audit		138	108	80	-
- Others		75	50	-	-
Other auditors		-	-	-	43
- Non-audit fees					
KPMG PLT		285	90	-	-
Local affiliates of KPMG PLT		-	100	-	-
Material expenses/(income)					
Depreciation expenses					
- property, plant and equipment		3,902	3,595	2,451	2,735
- right-of-use assets		1,740	1,729	1,275	1,016
Loss/(Gain) on disposal of property, plant and equipment		-	1	-	(2)
Loss on disposal of subsidiaries		-	267	-	-
Impairment of goodwill		-	-	2	-
Initial public offering expenses		651	1,005	-	-
Property, plant and equipment written off		1	1	-	45
Realised loss on foreign exchange		-	-	-	1
Waiver of debt		-	-	274	-
Finance income		(48)	(20)	(4)	-
Insurance compensation		-	-	(379)	(693)
Service fee		-	-	(2,548)	-
Expenses/(Income) arising from leases					
Expenses relating to short-term leases	(i)	157	-	-	79
Expenses relating to leases of low-value assets	(ii)	11	2	-	-
Gain on derecognition of right-of-use assets		(23)	-	-	-
Lease income of office space		-	-	-	(26)
Net loss on impairment of financial instruments					
Loans and receivables		-	-	37	3

(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.

16. Tax expense

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Recognised in profit or loss				
Current tax expense				
Current year provision	3,699	2,488	2,170	1,454
Under/(Over) provision in prior year	256	121	(199)	74
	3,955	2,609	1,971	1,528
Deferred tax expense				
Origination and reversal of temporary differences	357	333	86	(3)
(Over)/Under provision in prior year	(479)	(111)	146	-
	(122)	222	232	(3)
	3,833	2,831	2,203	1,525
Reconciliation of tax expense				
Profit before tax	12,572	7,801	9,583	4,660
Income tax calculated using Malaysian tax rate of 24%	3,017	1,872	2,300	1,118
Non-deductible expenses	921	825	443	596
Effect of unrecognised deferred tax assets	118	124	-	-
Utilisation of previously unrecognised deferred tax assets	-	-	(487)	(263)
Under/(Over) provision in prior year				
- current tax	256	121	(199)	74
- deferred tax	(479)	(111)	146	-
	3,833	2,831	2,203	1,525

17. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year attributable to owners of the Company	7,831	4,445	7,390	3,240

	2019 '000	2018 '000	2017 '000	2016 '000
Weighted average number of ordinary shares	2,700	2,700	2,700	2,700 #

	2019 RM	2018 RM	2017 RM	2016 RM
Basic earnings per ordinary share	2.90	1.65	2.74	1.20

During the financial year ended 31 December 2017, OESC increased its number of ordinary shares outstanding from 2,500,000 to 2,700,000 by way of a bonus issue of 200,000 ordinary shares on the basis of 2 bonus shares for every 25 existing ordinary share. The adjusted number of ordinary shares outstanding was also adopted retrospectively for the financial year ended 31 December 2016 for comparability.

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

18. Dividends

Dividends recognised by certain entities in the Group:

	Sen per share	Total RM'000	Date of payment
2017			
Interim 2017 ordinary	23.4	585	2 May 2017
Interim 2017 ordinary	20.0	500	5 June 2017
		1,085	
2019			
Interim 2019 ordinary	222.2	6,000	31 July 2019

19. Operating segments

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

Geographical segments

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

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue				
North Malaysia	10,342	8,530	8,084	7,304
Central Malaysia	37,423	30,472	24,624	20,617
South Malaysia	11,924	7,718	689	-
East Malaysia	2,930	2,514	2,618	2,041
	62,619	49,234	36,015	29,962
Non-current assets				
North Malaysia	21,744	20,591	20,961	20,838
Central Malaysia	20,995	19,097	7,574	5,503
South Malaysia	5,508	5,057	2,702	437
East Malaysia	875	671	461	243
	49,122	45,416	31,698	27,021

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the financial years under review.

20. Financial instruments

20.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2019 and 2018 categorised as amortised cost ("AC"):

	Carrying amount RM'000	AC RM'000
2019		
Financial assets		
Trade and other receivables #	1,379	1,379
Cash and cash equivalents	8,519	8,519
	9,898	9,898
Financial liabilities		
Trade and other payables	(9,327)	(9,327)
Loans and borrowings	(20,195)	(20,195)
	(29,522)	(29,522)
2018		
Financial assets		
Trade and other receivables	1,387	1,387
Cash and cash equivalents	5,534	5,534
	6,921	6,921
Financial liabilities		
Trade and other payables	(7,593)	(7,593)
Loans and borrowings	(18,665)	(18,665)
	(26,258)	(26,258)

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

20. Financial instruments (continued)

20.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 and 2016 categorised as follows:

(a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000
2017		
Financial assets		
Trade and other receivables #	1,466	1,466
Cash and cash equivalents	3,202	3,202
	4,668	4,668
Financial liabilities		
Trade and other payables	(5,069)	(5,069)
Loans and borrowings	(14,534)	(14,534)
	(19,603)	(19,603)
2016		
Financial assets		
Trade and other receivables	1,459	1,459
Cash and cash equivalents	2,801	2,801
	4,260	4,260
Financial liabilities		
Trade and other payables	(5,388)	(5,388)
Loans and borrowings	(14,223)	(14,223)
	(19,611)	(19,611)

Excluding deposits relating to the acquisition of property, plant and equipment of RM1,444,000.

20. Financial instruments (continued)

20.2 Net gains and losses arising from financial instruments

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) arising on:				
Financial assets measured at amortised cost	48	20	-	-
Financial liabilities measured at amortised cost	(1,000)	(904)	(748)	(578)
Loans and receivables	-	-	(307)	(4)
	(952)	(884)	(1,055)	(582)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 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. 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. Trade receivables are monitored on a regular and an ongoing basis.

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.

20. Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables (continued)

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.

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 as at 31 December 2019 and 2018 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
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
	518	-	518
2018			
Current (not past due)	236	-	236
1 – 30 days past due	24	-	24
31 – 120 days past due	70	-	70
More than 120 days past due	95	-	95
	425	-	425

20. Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 and 2016 were as follows:

	Gross RM'000	Impairment RM'000	Net RM'000
2017			
Current (not past due)	255	-	255
1 – 30 days past due	60	-	60
31 – 120 days past due	25	-	25
More than 120 days past due	3	-	3
	343	-	343
2016			
Current (not past due)	324	-	324
1 – 30 days past due	4	-	4
31 – 120 days past due	26	-	26
More than 120 days past due	11	-	11
	365	-	365

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

Other receivables

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.

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.

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

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

20. Financial instruments (continued)

20.5 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.

Maturity analysis

The table below summarises the maturity profile of the Group'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
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	-	-
	38,130		45,653	16,412	14,189	15,052

20. Financial instruments (continued)

20.5 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
2018						
Financial liabilities						
Trade and other payables	7,593	-	7,593	7,385	208	-
Term loans	13,202	4.52 - 8.50	19,505	1,354	4,183	13,968
Hire purchase liabilities	5,463	2.30 - 3.76	6,191	1,591	4,600	-
Lease liabilities	7,117	6.50	8,618	1,866	4,853	1,899
	33,375		41,907	12,196	13,844	15,867
2017						
Financial liabilities						
Trade and other payables	5,069	-	5,069	5,069	-	-
Term loans	11,004	4.87 - 8.50	15,917	2,053	3,402	10,462
Hire purchase liabilities	1,819	2.73 - 3.37	2,082	477	1,597	8
Lease liabilities	3,546	6.50	4,048	1,450	2,359	239
Bank overdraft	1,711	7.65	1,711	1,711	-	-
	23,149		28,827	10,760	7,358	10,709

20. Financial instruments (continued)

20.5 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
2016						
Financial liabilities						
Trade and other payables	5,388	-	5,388	5,388	-	-
Term loans	12,000	4.75 - 8.50	17,521	1,647	4,687	11,187
Hire purchase liabilities	415	2.65 - 3.30	480	110	352	18
Lease liabilities	1,599	6.50	1,745	935	746	64
Bank overdraft	1,808	6.60 - 7.65	1,808	1,808	-	-
	21,210		26,942	9,888	5,785	11,269

20.6 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.

20.6.1 Currency risk

The Group is not exposed to any significant foreign currency risks.

20. Financial instruments (continued)

20.6 Market risk (continued)

20.6.2 Interest rate risk

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

The Group's deposits placed with licensed banks, fixed rate term loans, 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 significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Note	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments					
Financial assets					
- Deposits placed with licensed banks	8	1,049	720	304	-
Financial liabilities					
- Term loans	10	-	(322)	(839)	(1,254)
- Hire purchase liabilities	10	(5,976)	(5,463)	(1,819)	(415)
- Lease liabilities		(8,608)	(7,117)	(3,546)	(1,599)
		(14,584)	(12,902)	(6,204)	(3,268)
		(13,535)	(12,182)	(5,900)	(3,268)
Floating rate instruments					
Financial liabilities					
- Term loans	10	(12,423)	(12,880)	(10,165)	(10,746)
- Bank overdraft	10	(1,796)	-	(1,711)	(1,808)
		(14,219)	(12,880)	(11,876)	(12,554)

20. Financial instruments (continued)

20.6 Market risk (continued)

20.6.2 Interest rate risk (continued)

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			
	2019 RM'000	**2018 RM'000**	**2017 RM'000**	**2016 RM'000**
Floating rate instrument	108	98	90	95

20.7 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.

20. Financial instruments (continued)

20.7 Fair value information (continued)

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	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	RM'000	RM'000
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)
2018										
Financial liabilities										
Other payables	-	-	-	-	-	-	(708)	(708)	(708)	(708)
Hire purchase liabilities	-	-	-	-	-	-	(5,144)	(5,144)	(5,144)	(5,463)
Term loans	-	-	-	-	-	-	(13,268)	(13,268)	(13,268)	(13,202)
	-	-	-	-	-	-	(19,120)	(19,120)	(19,120)	(19,373)

20. Financial instruments (continued)

20.7 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	RM'000	RM'000
2017										
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	(1,714)	(1,714)	(1,714)	(1,819)
Term loans	-	-	-	-	-	-	(11,026)	(11,026)	(11,026)	(11,004)
	-	-	-	-	-	-	(12,740)	(12,740)	(12,740)	(12,823)
2016										
Financial liabilities										
Hire purchase liabilities	-	-	-	-	-	-	(394)	(394)	(394)	(415)
Term loans	-	-	-	-	-	-	(11,899)	(11,899)	(11,899)	(12,000)
	-	-	-	-	-	-	(12,293)	(12,293)	(12,293)	(12,415)

20. Financial instruments (continued)

20.7 Fair value information (continued)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Non-derivatives financial liabilities

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

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018, 2017 and 2016: no transfer in either directions).

Level 3 fair value

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

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

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

21. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years under review.

22. Capital and other commitments

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Capital expenditure commitments				
Property, plant and equipment				
Authorised and contracted for	5,644	911	-	-

23. 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 has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control. Related parties may be individuals or other entities.

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

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

Significant related party transactions

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

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Transactions				
A. Directors				
Lease payments	263	264	100	-
Acquisition of subsidiaries	-	-	100	-

23. Related parties (continued)

Significant related party transactions (continued)

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Transactions (continued)				
B. Companies in which Directors have financial interests				
Acquisition of property, plant and equipment	-	5,618	80	-
Administrative charges receivable	-	(41)	(52)	(49)
Casual wages	25	44	29	38
Doctor fees payable	-	-	-	1,278
Lease payments	433	602	381	374
Purchases of inventories	5	-	-	-
Short-term lease expense	34	-	96	27
Sales of inventories	(3)	-	-	-
Service fees receivable	(201)	-	-	-

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 11, other than lease liabilities balances as disclosed below.

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
C. Key management personnel				
Directors				
Fees	-	20	60	60
Remuneration	1,486	1,382	1,369	548
	1,486	1,402	1,429	608
Other key management personnel				
Fees	47	54	63	-
Remuneration	6,083	4,384	884	111
	6,130	4,438	947	111

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

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Balances				
A. A Director				
Lease liabilities	1,186	278	516	-
B. Companies in which Directors have financial interest				
Lease liabilities	2,231	1,289	1,467	605

24. Acquisition of subsidiaries

Financial year ended 31 December 2017

(A) Acquisition of common control subsidiaries

In September 2017 and December 2017 respectively, the OESC Group acquired 100% of shareholding in Optimax Eye Specialist Centre (Ipoh) Sdn. Bhd. ("OESC Ipoh") (formerly known as "Setia Bina Impian Sdn. Bhd.") and 100% of shareholding in Optimax Eye Specialist Centre (Seri Petaling) Sdn. Bhd. ("OESC Seri Petaling") (formerly known as "E.C.P. Optometry Centre Sdn. Bhd.") from a common control shareholder by assuming net liabilities of RM586,000. The purchase consideration in relation to the acquisition of these subsidiaries was RM100,002 satisfied by cash.

The net liabilities of the subsidiaries assumed were as follows:

	OESC Ipoh RM'000	OESC Seri Petaling RM'000	Total RM'000
Fair value of consideration transferred			
Cash and cash equivalents	100	*	100
Identifiable assets acquired and liabilities assumed			
Property, plant and equipment	455	1,296	1,751
Inventories	1	25	26
Trade and other receivables	10	140	150
Cash and cash equivalents	22	1	23
Deferred tax liabilities	(16)	-	(16)
Trade and other payables	(748)	(693)	(1,441)
Hire purchase liabilities	(103)	(976)	(1,079)
Total identifiable net liabilities	(379)	(207)	(586)

* *Denotes RM2*

	RM'000
Net liabilities assumed	(586)
Purchase consideration	(100)
	(686)

The acquisition of these subsidiaries from a common control shareholder was accounted for using the pooling-of-interests method of accounting as the acquisition was deemed as a common control transaction.

The difference between the purchase consideration and net liabilities assumed, amounting to RM686,000 was accounted for accordingly in the business combination reserve.

	RM'000
Net cash outflow arising from acquisition of subsidiaries	
Purchase consideration settled in cash and cash equivalents	100
Cash and cash equivalents acquired	(23)
	77

24. Acquisition of subsidiaries (continued)

Financial year ended 31 December 2017 (continued)

(B) Acquisition of Inspirasi Alamjaya Sdn. Bhd.

In September 2017, the OESC Group acquired the entire issued and paid-up share capital comprising of 3 ordinary shares in Inspirasi Alamjaya Sdn. Bhd. ("IASB") for a total consideration of RM3 satisfied by cash. The intended principal activity of IASB was providing photorefractive keratectomy and related services.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RM'000
Fair value of consideration transferred	
Cash and cash equivalents	*
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	99
Inventories	22
Trade and other receivables	61
Cash and cash equivalents	10
Deferred tax liabilities	(7)
Trade and other payables	(188)
Total identifiable net liabilities	(3)
Net cash inflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	*
Cash and cash equivalents acquired	10
	10
Goodwill	
Goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	*
Fair value of identifiable net liabilities	(3)
Non-controlling interest, based on proportionate interest in the net identifiable assets acquired	1
Goodwill	(2)

* *Denotes RM3*

The goodwill in relation to the acquisition of IASB was impaired during the financial year ended 31 December 2017.

24. Acquisition of subsidiaries (continued)

Financial year ended 31 December 2017 (continued)

(C) Net cash outflow arising from acquisition of subsidiaries

The net cash outflow arising from the acquisition of subsidiaries as disclosed in Note 24 (A) and Note 24 (B) were as follows:

	RM'000
Net cash outflow arising from the acquisition of common control subsidiaries	(77)
Net cash inflow arising from the acquisition of IASB	10
	(67)

25. Acquisition of business

Financial year ended 31 December 2017

In January 2017, the OESC Group acquired the eye lasik treatment business operations in Sunway from IASB by assuming net assets of RM173,000. The consideration paid was RM173,000. The net assets assumed were as follows:

Carrying value of identifiable assets acquired	**RM'000**
Assets	
Plant and equipment	103
Inventories	72
Deposits	(2)
Net assets acquired	173
Purchase consideration	173

26. Disposal of subsidiaries

Financial year ended 31 December 2018

In January 2018, the OESC Group disposed its 70% owned subsidiary, Optimax Eye Specialist Centre (Kota Kinabalu) Sdn. Bhd. ("OESC KK") for a total consideration of RM1.

In February 2018, the OESC Group disposed its 70% owned subsidiary, Optimax Laser Eye Centre Sdn. Bhd. ("OLEC") and a wholly owned subsidiary, Optimax Eye Specialist Centre (Ampang) Sdn. Bhd. ("OESC Ampang") for a consideration of RM1 each.

The effects of the disposal are as follows:

	OESC KK RM'000	OLEC RM'000	OESC Ampang RM'000	Total RM'000
Cash and cash equivalents	6	2	1	9
Trade and other payables	(208)	-	-	(208)
Total identifiable net assets disposed	(202)	2	1	(199)
Less: Non-controlling interests disposed	467	(1)	-	466
Less: Loss on disposal of subsidiaries recognised in profit or loss	(265)	(1)	(1)	(267)
Cash consideration	*	*	*	**
Less: Cash and cash equivalents disposed	(6)	(2)	(1)	(9)
Cash flow on disposal, net of cash disposed	(6)	(2)	(1)	(9)

* *Denotes RM1*
** *Denotes RM3*

27. Changes in ownership interests in subsidiaries

Financial year ended 31 December 2019

On 30 September 2019, the OESC Group acquired the remaining interest in Optimax Eye Specialist Centre (Kuching) Sdn. Bhd. ("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 OESC Group's financial statements on the date of the acquisition was RM409,333. The OESC 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.

27. Changes in ownership interests in subsidiaries (continued)

Financial year ended 31 December 2018

On 2 May 2018 and 28 August 2018, the OESC Group disposed 7% effective interest in Optimax Eye Specialist Centre (Kluang) Sdn. Bhd. ("OESC Kluang") for RM10,000 in cash, decreasing its effective ownership interest from 70% to 63%. The carrying amount of OESC Kluang's net assets in the OESC Group's financial statements on the date of the disposal was RM2,527. The OESC Group recognised an increase in non-controlling interests of RM177 and an increase in retained earnings of RM9,823. This resulted in a net cash inflow of RM10,000.

Financial year ended 31 December 2017

(a) On 25 January 2017, the OESC Group acquired the remaining interest in Optimax Eye Specialist Centre (Bandar Sunway) Sdn. Bhd. ("OESC Bandar Sunway") (formerly known as "Optimax Eye Specialist Centre (Sunway) Sdn. Bhd.") for RM2 in cash, increasing its ownership from 45.5% to 100%. The carrying amount of OESC Bandar Sunway's net liabilities in the OESC Group's financial statements on the date of the acquisition was RM467,000. The OESC Group recognised an increase in non-controlling interests of RM303,000 and a decrease in retained earnings of RM303,000. Subsequently, the OESC Group disposed 30% interest in OESC Bandar Sunway for RM240,000 in cash on 17 August 2017, decreasing its ownership from 100% to 70%. The carrying amount of OESC Bandar Sunway's net assets in the OESC Group's financial statements on the date of the disposal was RM675,000. The OESC Group recognised an increase in non-controlling interests of RM203,000 and an increase in retained earnings of RM37,000.

(b) On 30 January 2017, the OESC Group acquired the remaining interest in Optimax Eye Specialist Centre (Ampang) Sdn. Bhd. ("OESC Ampang") for RM1 in cash, increasing its ownership from 70% to 100%. The carrying amount of OESC Ampang's net liabilities in the OESC Group's financial statements on the date of the acquisition was RM3,000. The OESC Group recognised an increase in non-controlling interests of RM1,000 and a decrease in retained earnings of RM1,000.

(c) On 17 and 25 August 2017, the OESC Group acquired the remaining interest in Optimax Eye Specialist Centre (Shah Alam) Sdn. Bhd. ("OESC SA") for RM126,000 in cash, increasing its ownership from 70% to 100%. The carrying amount of OESC SA's net liabilities in the OESC Group's financial statements on the date of the acquisition was RM1,018,000. The OESC Group recognised an increase in non-controlling interests of RM306,000 and a decrease in retained earnings of RM432,000.

(d) On 4 and 7 August 2017, the OESC Group incorporated two indirect subsidiaries, Optimax Eye Specialist Centre (Kluang) Sdn. Bhd. and Optimax Eye Specialist Centre (Segamat) Sdn. Bhd., which were owned by Optimax Eye Specialist Centre (Southern) Sdn. Bhd. ("OESC Southern"), a 70% held subsidiary of the OESC Group. The OESC Group recognised an increase in non-controlling interests of RM56,000 and a decrease in retained earnings of RM46,000 resulted from the incorporation.

27. Changes in ownership interests in subsidiaries (continued)

Financial year ended 31 December 2017 (continued)

(e) On 30 September 2017, the OESC Group acquired the remaining interest in Optimax Eye Specialist Centre (Seremban) Sdn. Bhd. ("OESC Seremban") for RM60,000 in cash, increasing its ownership from 49% to 100%. The carrying amount of OESC Seremban's net liabilities in the OESC Group's financial statements on the date of the acquisition was RM897,000. The OESC Group recognised an increase in non-controlling interests of RM458,000 and a decrease in retained earnings of RM518,000.

(f) On 30 September 2017, the OESC Group acquired an additional 9% interest in Optimax Eye Specialist Centre (Kajang) Sdn. Bhd. ("OESC Kajang") for RM18,000 in cash, increasing its ownership from 70% to 79%. The carrying amount of OESC Kajang's net liabilities in the OESC Group's financial statements on the date of the acquisition was RM26,000. The OESC Group recognised an increase in non-controlling interests of RM3,000 and a decrease in retained earnings of RM21,000.

(g) On 30 September 2017, OESC transferred its 100% ownership in Optimax Eye Specialist Centre (Muar) Sdn. Bhd. ("OESC Muar") (formerly known as "Visual Series Sdn. Bhd.") to its 70% owned subsidiary, OESC Southern, resulting in a decrease in its effective ownership from 100% to 70%. The carrying amount of OESC Muar's net liabilities in the OESC Group's financial statements on the date of the transfer was RM903,000. The OESC Group recognised an increase in non-controlling interests of RM271,000 and a decrease in retained earnings of RM271,000.

(h) On 30 September 2017, the OESC Group disposed 5% interest in Optimax Eye Specialist Centre (Kuching) Sdn. Bhd. ("OESC Kuching") for RM15,000 in cash, decreasing its ownership from 75% to 70%. The carrying amount of OESC Kuching's net assets in the OESC Group's financial statements on the date of the disposal was RM494,000. The OESC Group recognised an increase in non-controlling interests of RM25,000 and a decrease in retained earnings of RM10,000.

(i) On 28 December 2017, the OESC Group's interest in Optimax Eye Specialist Centre (Seri Petaling) Sdn. Bhd. ("OESC Seri Petaling") (formerly known as "E.C.P. Optometry Centre Sdn. Bhd.") (acquired during the financial year ended 31 December 2017) decreased from 100% to 70% upon the share subscription in OESC Seri Petaling by both OESC (RM34,998 in cash) and Dr. Chang Khai Meng (RM15,000 in cash). The carrying amount of OESC Seri Petaling's net liabilities in the OESC Group's financial statements was RM157,000. The OESC Group recognised a decrease in non-controlling interests of RM48,000 and an increase in retained earnings of RM63,000.

The above changes in ownership interest in subsidiaries resulted in an increase in non-controlling interests of RM1,578,000 and a decrease in retained earnings of RM1,502,000 for the net cash inflow of RM76,000 for the financial year ended 31 December 2017.

28. Combining Entity

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %	2017 %	2016 %
Optimax Eye Specialist Centre Sdn. Bhd.	Malaysia	Eye correction treatments and related services and investment holding	100	100	100	100

Details of the Combining Entity's subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %	2017 %	2016 %
Direct subsidiaries						
Optimax Laser Eye Centre Sdn. Bhd. # &	Malaysia	Dormant	-	-	70	70
Optimax Eye Specialist Centre (Shah Alam) Sdn. Bhd.	Malaysia	Eye specialist services and related products and services	100	100	100	70
Optimax Eye Specialist Centre (Seremban) Sdn. Bhd. ^	Malaysia	Eye specialist services and related products and services	100	100	100	49
Optimax Eye Specialist Centre (Kota Kinabalu) Sdn. Bhd. # &	Malaysia	Dormant	-	-	70	70
Optimax Eye Specialist Centre (Kajang) Sdn. Bhd.	Malaysia	Dormant	79	79	79	70

28. Combining Entity (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest			
			2019	2018	2017	2016
			%	%	%	%
Direct subsidiaries (continued)						
Optimax Eye Specialist Centre (Ampang) Sdn. Bhd. [# &]	Malaysia	Dormant	-	-	100	70
Optimax Eye Specialist Centre (Kuching) Sdn. Bhd.	Malaysia	Eye specialist services and related products and services	100	70	70	75
Optimax Eye Specialist Centre (Bandar Sunway) Sdn. Bhd. (formerly known as "Optimax Eye Specialist Centre (Sunway) Sdn. Bhd.") [^]	Malaysia	Eye specialist services and related products and services	70	70	70	46
Optimax Eye Specialist Centre (Ipoh) Sdn. Bhd. (formerly known as "Setia Bina Sdn. Bhd.") [@]	Malaysia	Eye specialist services and related products and services	100	100	100	-
Optimax Eye Specialist Centre (Seri Petaling) Sdn. Bhd. (formerly known as "E.C.P. Optometry Centre Sdn. Bhd.") [@]	Malaysia	Eye specialist services and related products and services	70	70	70	-
Optixanthin Sdn. Bhd. [∞]	Malaysia	Marketing of food product	90	-	-	-
Optimax Eye Specialist Centre (Southern) Sdn. Bhd. [*]	Malaysia	Investment holding	70	70	70	-

28. Combining Entity (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %	2017 %	2016 %
Indirect subsidiaries						
Held through Optimax Eye Specialist Centre (Southern) Sdn. Bhd.:						
Optimax Eye Specialist Centre (Muar) Sdn. Bhd. (formerly known as "Visual Series Sdn. Bhd.") %	Malaysia	Eye specialist services and related products and services	70	70	70	100
Optimax Eye Specialist Centre (Kluang) Sdn. Bhd. *	Malaysia	Eye specialist services and related products and services	63	63	70	-
Optimax Eye Specialist Centre (Segamat) Sdn. Bhd. *	Malaysia	Eye specialist services and related products and services	63	63	63	-
Inspirasi Alamjaya Sdn. Bhd. @	Malaysia	Eye specialist services and related products and services	70	70	70	-

\# Company not audited by KPMG PLT.
% Company held by Optimax Eye Specialist Centre Sdn. Bhd. for the financial year ended 31 December 2016.
^ Company held by Optimax Eye Specialist Centre (Shah Alam) Sdn. Bhd. for the financial year ended 31 December 2016.
* Company incorporated during the financial year ended 31 December 2017.
@ Company acquired during the financial year ended 31 December 2017.
& Company disposed during the financial year ended 31 December 2018.
∞ In August 2019, OESC Group subscribed to 90 ordinary shares representing 90% of the equity interest and identifiable net assets in Optixanthin Sdn. Bhd. at a consideration of RM90.

28. Combining Entity (continued)

28.1 Material non-controlling interests in subsidiaries

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

	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	Other subsidiaries with immaterial NCI RM'000	Total 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	1,579
Profit/(Loss) allocated to NCI	96	234	(38)	81	235	159	141	908
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	2,219	2,155	(1,052)	730	526	449		

28. Combining Entity (continued)

28.1 Material 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)	-	-	-

28. Combining Entity (continued)

28.1 Material non-controlling interests in subsidiaries (continued)

	2018				
	OESC Bandar Sunway RM'000	OESC Muar RM'000	OESC Kuching RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	30%	30%	30%		
Carrying amount of NCI	413	571	199	21	1,204
Profit/(Loss) allocated to NCI	188	299	96	(58)	525
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	627	1,790	671		
Current assets	1,700	1,442	1,076		
Non-current liabilities	(356)	(459)	(279)		
Current liabilities	(595)	(871)	(806)		
Net assets	1,376	1,902	662		
Financial year ended 31 December					
Revenue	3,683	4,593	2,987		
Profit for the financial year	626	996	321		
Total comprehensive income for the financial year	626	996	321		
Cash flows from operating activities	355	759	168		
Cash flows used in investing activities	(84)	(389)	(373)		
Cash flows used in financing activities	(110)	(81)	(75)		
Net increase/ (decrease) in cash and cash equivalents	161	289	(280)		

28. Combining Entity (continued)

28.1 Material non-controlling interests in subsidiaries (continued)

	2017				
	OESC Kota Kinabalu RM'000	OESC Bandar Sunway* RM'000	OESC Muar# RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	30%	30%	30%		
Carrying amount of NCI	(466)	225	271	183	213
(Loss)/Profit allocated to NCI	(16)	44	-	(38)	(10)
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	-	703	1,506		
Current assets	6	743	503		
Non-current liabilities	-	(482)	(91)		
Current liabilities	(1,560)	(214)	(1,014)		
Net (liabilities)/assets	(1,554)	750	904		
Financial year ended 31 December					
Revenue	-	2,570	-		
(Loss)/Profit for the financial year	(54)	707	916		
Total comprehensive (expense)/income for the financial year	(54)	707	916		
Cash flows from/(used in) operating activities	54	(149)	1,274		
Cash flows from/(used in) investing activities	25	(210)	(1,197)		
Cash flows (used in)/ from financing activities	(86)	430	(30)		
Net (decrease)/ increase in cash and cash equivalents	(7)	71	47		

* The OESC Group disposed 30% equity interest to non-controlling interest on 17 August 2017 (refer to Note 27(a)).

\# The OESC Group disposed 30% equity interest to non-controlling interest on 30 September 2017 (refer Note 27(g)).

28. Combining Entity (continued)

28.1 Material non-controlling interests in subsidiaries (continued)

	2016				
	OESC Kota Kinabalu RM'000	OESC Shah Alam RM'000	OESC Seremban RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	30%	30%	51%		
Carrying amount of NCI	(450)	(310)	(467)	(127)	(1,354)
(Loss)/Profit allocated to NCI	(39)	87	52	(205)	(105)
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	66	428	116		
Current assets	25	399	304		
Non-current liabilities	-	(85)	-		
Current liabilities	(1,590)	(1,775)	(1,335)		
Net liabilities	(1,499)	(1,033)	(915)		
Financial year ended 31 December					
Revenue	-	1,879	1,054		
(Loss)/Profit for the financial year	(129)	289	101		
Total comprehensive (expense)/income for the financial year	(129)	289	101		
Cash flows from operating activities	1	169	117		
Cash flows from/ (used in) investing activities	1	(26)	(6)		
Cash flows used in financing activities	(123)	(140)	(61)		
Net (decrease)/ increase in cash and cash equivalents	(121)	3	50		

29. Change in accounting policies

The Group has adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2019.

29.1 MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards.

The Group adopted MFRS 15, *Revenue from Contracts with Customers* retrospectively.

The adoption of MFRS 15, *Revenue from Contracts with Customers* does not have material financial impact to the financial statements of the Group.

29.2 MFRS 9, *Financial Instruments*

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group adopted MFRS 9, *Financial Instruments* retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group has elected not to restate the comparatives.

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group has not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements as permitted by MFRS 9. Accordingly, the information presented for 2017 and 2016 do not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) Loss allowance for receivables (other than trade receivables) is recognised at amount equal to lifetime expected credit losses until the receivable is derecognised. The loss allowance resulting from the adoption of MFRS 9, *Financial Instruments* does not have material financial impact to the Group.

29. Change in accounting policies (continued)

29.2 MFRS 9, *Financial Instruments* (continued)

The adoption of MFRS 9, *Financial Instruments* does not have material financial impact to the financial statements of the Group, other than trade and other receivables and cash and cash equivalents that were reclassified as loans and receivables under MFRS 139 which are now classified as amortised cost.

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

		1.1.2018 Reclassification to new MFRS 9 category	
Category under MFRS 139	**31.12.2017 RM'000**	**Remeasurement RM'000**	**Amortised cost ("AC") RM'000**
Financial assets			
Loans and receivables			
Trade and other receivables #	1,466	-	1,466
Cash and cash equivalents	3,202	-	3,202
	4,668	-	4,668
Financial liabilities measured at amortised cost			
Trade and other payables	(5,069)	-	(5,069)
Loans and borrowings	(14,534)	-	(14,534)
	(19,603)	-	(19,603)

Excluding deposits relating to the acquisition of property, plant and equipment of RM1,444,000.

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively.

For leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the entities' incremental borrowing rate. The weighted average rate applied is 6.5%. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using lessee's incremental borrowing rate.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contracts contain options to extend or terminate the lease.

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements

The tables below show the effects of the adoption of MFRS 16 to the combined financial statements in this accountants' report.

a. Statement of financial position

(i) As at 31 December 2016

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Right-of-use assets	-	1,552	1,552
Deferred tax assets	14	3	17
Others	30,863	-	30,863
Total assets	30,877	1,555	32,432
Deferred tax liabilities	7	(7)	-
Lease liabilities	-	740	740
Others	11,296	-	11,296
Total non-current liabilities	11,303	733	12,036
Lease liabilities	-	859	859
Others	8,669	-	8,669
Total current liabilities	8,669	859	9,528
Total liabilities	19,972	1,592	21,564
Reserves	9,759	(37)	9,722
Others	1,146	-	1,146
Total equity	10,905	(37)	10,868
Total liabilities and equity	30,877	1,555	32,432

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

a. Statement of financial position (continued)

(ii) As at 31 December 2017

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Right-of-use assets	-	3,460	3,460
Deferred tax assets	328	6	334
Others	36,479	-	36,479
Total assets	36,807	3,466	40,273
Deferred tax liabilities	585	(13)	572
Lease liabilities	-	2,283	2,283
Others	10,921	-	10,921
Total non-current liabilities	11,506	2,270	13,776
Lease liabilities	-	1,263	1,263
Others	8,682	-	8,682
Total current liabilities	8,682	1,263	9,945
Total liabilities	20,188	3,533	23,721
Reserves	13,699	(60)	13,639
Non-controlling interests	220	(7)	213
Others	2,700	-	2,700
Total equity	16,619	(67)	16,552
Total liabilities and equity	36,807	3,466	40,273

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

a. Statement of financial position (continued)

(iii) As at 31 December 2018

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Property, plant and equipment	38,476	(1,818)	36,658
Right-of-use assets	-	8,758	8,758
Deferred tax assets	346	5	351
Others	10,422	-	10,422
Total assets	49,244	6,945	56,189
Deferred tax liabilities	844	(33)	811
Lease liabilities	-	5,671	5,671
Others	16,831	-	16,831
Total non-current liabilities	17,675	5,638	23,313
Lease liabilities	-	1,446	1,446
Others	9,432	-	9,432
Total current liabilities	9,432	1,446	10,878
Total liabilities	27,107	7,084	34,191
Reserves	18,216	(122)	18,094
Non-controlling interests	1,221	(17)	1,204
Others	2,700	-	2,700
Total equity	22,137	(139)	21,998
Total liabilities and equity	49,244	6,945	56,189

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

b. Statement of profit or loss and other comprehensive income

(i) For the financial year ended 31 December 2016

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Depreciation expenses	(2,735)	(1,016)	(3,751)
Other expenses	(4,940)	1,100	(3,840)
Others	12,934	-	12,934
Results from operating activities	5,259	84	5,343
Finance costs	(578)	(105)	(683)
Profit before tax	4,681	(21)	4,660
Tax expenses	(1,535)	10	(1,525)
Profit and total comprehensive income for the financial year	3,146	(11)	3,135
Profit and total comprehensive income attributable to:			
Owners of the Company	3,251	(11)	3,240
Non-controlling interests	(105)	-	(105)
Profit and total comprehensive income for the financial year	3,146	(11)	3,135
Basic earnings per ordinary share (RM)	1.20		1.20

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

b. Statement of profit or loss and other comprehensive income (continued)

(ii) For the financial year ended 31 December 2017

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Depreciation expenses	(2,451)	(1,275)	(3,726)
Other expenses	(5,629)	1,385	(4,244)
Others	18,446	-	18,446
Results from operating activities	10,366	110	10,476
Finance costs	(748)	(149)	(897)
Others	4	-	4
Profit before tax	9,622	(39)	9,583
Tax expenses	(2,212)	9	(2,203)
Profit and total comprehensive income for the financial year	7,410	(30)	7,380
Profit and total comprehensive income attributable to:			
Owners of the Company	7,413	(23)	7,390
Non-controlling interests	(3)	(7)	(10)
Profit and total comprehensive income for the financial year	7,410	(30)	7,380
Basic earnings per ordinary share (RM)	2.75		2.74

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

b. Statement of profit or loss and other comprehensive income (continued)

(iii) For the financial year ended 31 December 2018

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Depreciation expenses	(3,595)	(1,729)	(5,324)
Other expenses	(8,138)	1,978	(6,160)
Others	20,509	-	20,509
Results from operating activities	8,776	249	9,025
Finance costs	(904)	(340)	(1,244)
Others	20	-	20
Profit before tax	7,892	(91)	7,801
Tax expenses	(2,850)	19	(2,831)
Profit and total comprehensive income for the financial year	5,042	(72)	4,970
Profit and total comprehensive income attributable to:			
Owners of the Company	4,507	(62)	4,445
Non-controlling interests	535	(10)	525
Profit and total comprehensive income for the financial year	5,042	(72)	4,970
Basic earnings per ordinary share (RM)	1.67		1.65

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

c. **Statement of cash flows**

(i) **For the financial year ended 31 December 2016**

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Profit before tax	4,681	(21)	4,660
Adjustments for:			
Depreciation of right-of-use assets	-	1,016	1,016
Finance costs	578	105	683
Others	3,664	-	3,664
Cash generated from operations	8,923	1,100	10,023
Interest paid	(62)	(105)	(167)
Others	(1,562)	-	(1,562)
Net cash from operating activities	7,299	995	8,294
Net cash used in investing activities	(17,760)	-	(17,760)
Payment of lease liabilities	-	(995)	(995)
Others	7,378	-	7,378
Net cash from financing activities	7,378	(995)	6,383
Net decrease in cash and cash equivalents	(3,083)	-	(3,083)

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

c. Statement of cash flows (continued)

(ii) For the financial year ended 31 December 2017

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Profit before tax	9,622	(39)	9,583
Adjustments for:			
Depreciation of right-of-use assets	-	1,275	1,275
Finance costs	748	149	897
Others	(522)	-	(522)
Cash generated from operations	9,848	1,385	11,233
Interest paid	(104)	(149)	(253)
Others	(2,850)	-	(2,850)
Net cash from operating activities	6,894	1,236	8,130
Net cash used in investing activities	(3,789)	-	(3,789)
Payment of lease liabilities	-	(1,236)	(1,236)
Others	(2,911)	-	(2,911)
Net cash used in financing activities	(2,911)	(1,236)	(4,147)
Net increase in cash and cash equivalents	194	-	194

29. Change in accounting policies (continued)

29.3 MFRS 16, *Leases* (continued)

Impacts on financial statements (continued)

c. **Statement of cash flows (continued)**

(iii) **For the financial year ended 31 December 2018**

	As previously reported RM'000	Effects of MFRS 16 RM'000	Changes after adoption RM'000
Profit before tax	7,892	(91)	7,801
Adjustments for:			
Depreciation of right-of-use assets	-	1,729	1,729
Finance costs	904	340	1,244
Others	5,365	-	5,365
Cash generated from operations	14,161	1,978	16,139
Interest paid	(94)	(340)	(434)
Others	(2,801)	-	(2,801)
Net cash from operating activities	11,266	1,638	12,904
Acquisition of property, plant and equipment	(7,094)	1,818	(5,276)
Acquisition of leasehold land	-	(1,818)	(1,818)
Others	(349)	-	(349)
Net cash used in investing activities	(7,443)	-	(7,443)
Payment of lease liabilities	-	(1,638)	(1,638)
Others	(196)	-	(196)
Net cash used in financing activities	(196)	(1,638)	(1,834)
Net increase in cash and cash equivalents	3,627	-	3,627

30. Subsequent events

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

(b) The current COVID-19 outbreak will have an impact on the global economy, including markets where the Group operates. In an effort to contain the COVID-19 outbreak, the Government of Malaysia announced the imposition of a movement control order ("MCO") under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967. The MCO was in force from 18 March 2020 until 3 May 2020 ("MCO Period"). As a provider of eye specialist services, the business falls within essential services, and thus, the Group was able to continue operations during the MCO Period. However, due to the MCO, some of the patients may have deferred, rescheduled or cancelled their treatments. The MCO was then uplifted and a conditional MCO ("CMCO") was imposed from 4 May 2020 to 9 June 2020 instead ("CMCO Period"). Under the CMCO, certain restrictions previously gazetted under the MCO were gradually eased and almost all economic sectors were allowed to reopen. The CMCO was then uplifted and a recovery MCO ("RMCO") was imposed from 10 June 2020 to 31 August 2020 instead ("RMCO Period"). Under the RMCO, further restrictions previously gazetted under the CMCO were gradually eased.

Furthermore, if an outbreak of the COVID-19 or any other contagious or virulent diseases occurs in any countries where the Group's existing suppliers source their materials and products and any MCO or lockdown or similar measures are implemented in these countries, the Group may potentially face difficulties in sourcing materials, products and equipment from the Group's existing suppliers.

The Group considers that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

The Group will continue to monitor the situation to assess and address the impact of COVID-19 and the RMCO on its business and financial condition.

KPMG

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24 June 2020

Dear Sir/Madam,

Reporting Accountants' opinion on the combined financial statements contained in the accountants' report of Optimax Holdings Berhad

Opinion

We have audited the combined financial statements of Optimax Holdings Berhad and its combining entity, Optimax Eye Specialist Centre Sdn. Bhd. and its subsidiaries (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016, and the combined statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the accountants' report, including a summary of significant accounting policies, as set out on pages 1 to 96. The combined financial statements of the Group have been prepared for inclusion in the prospectus of Optimax Holdings Berhad in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Optimax Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial positions of the Group as of 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016, and of its combined financial performances and combined cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and paragraph 10.05 of Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

KPMG PLT, a limited liability partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 *Reporting Accountants' Responsibilities for the Audit of the Financial Statements* section of our 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 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

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

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' 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 combined financial statements.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

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 combined financial statements of the Group, 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 controls.

- Obtain an understanding of the internal controls 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 Group's internal control.

- 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 to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the combined financial statements of the Group 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined 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 controls that we identify during our audit.

KPMG

Other Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia, we report that the significant subsequent events identified by the Group since 31 December 2019, the reporting date of the most recent audited combined financial statements to the date of this report, are as disclosed in Note 30 to the combined financial statements.

Restriction on distribution and use

This report is made solely to Optimax Holdings Berhad and for inclusion in the prospectus of Optimax Holdings Berhad to be issued in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Optimax Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

KPMG

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

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

CHESTON INTERNATIONAL

Chartered Surveyors
International Property Consultants
Registered Valuers, Real Estate Agents
Property Managers, Plant & Machinery Valuers

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Our Ref : V/AFHMS/SC/6295520/A&B

22 June 2020

THE BOARD OF DIRECTORS
OPTIMAX EYE SPECIALIST CENTRE SDN BHD
Unit No. 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 KUALA LUMPUR

Dear Sirs,

REVALUATION OF LOTS 23862 AND 23861, BOTH WITHIN TOWN AND DISTRICT OF SEREMBAN, NEGERI SEMBILAN DARUL KHUSUS, HELD UNDER TITLE NOS. GERAN 226738 AND 226739, RESPECTIVELY, BEARING POSTAL ADDRESSES PREMISES NOS. 141 & 142, JALAN TUN DR. ISMAIL, 70200 SEREMBAN, NEGERI SEMBILAN DARUL KHUSUS.
[TWO CONTIGUOUS UNITS OF THREE STOREY MID AND END TERRACED SHOP/OFFICES (WITH A BUILT-IN TNB MAIN SWITCH STATION ON THE GROUND FLOOR OF THE END UNIT)] ("SUBJECT PROPERTY").

We were instructed by Optimax Eye Specialist Centre Sdn Bhd ("OESC") vide an appointment letter dated 29th November 2018 to conduct a valuation of the Subject Property for the purpose of the proposed acquisition of the Subject Property by OESC from Modal Saujana Sdn Bhd. The Subject Property is being tenanted by Optimax Eye Specialist Centre (Seremban) Sdn Bhd, a wholly-owned subsidiary of OESC, pending the proposed acquisition of the Subject Property by OESC.

Optimax Holdings Berhad ("Optimax") had on 8th January 2020 entered into a share sale agreement to acquire OESC and its group of subsidiaries which is pending completion. Optimax is proposing to submit to Bursa Malaysia Securities Berhad ("Bursa Securities") for admission to the Official List and listing on the ACE Market of Bursa Securities. It is also proposing to submit to the Securities Commission Malaysia ("Securities Commission") for approval to register its prospectus for its proposed listing on the ACE Market of Bursa Securities.

This Valuation Certificate has been prepared for inclusion in the Prospectus of Optimax in conjunction with the listing of Optimax on the ACE Market of Bursa Securities.

The Report and Valuation dated 25th March 2019 together with the Valuation Certificate with the Market Value of RM3,200,000/- was submitted to OESC on 3rd June 2019 and an update letter with no change in the Market Value was submitted on 14th November 2019. The abovementioned Report and Valuation and the Update Letter have since lapsed and we have been requested by OESC to provide a validated Report and Valuation together with Valuation Certificate for the same purpose.

Pursuant to the request, we have carried out reinspection of the Subject Property on 8th January 2020 which is the relevant material date of valuation of the legal interest in the Subject Property.

The Report and Valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia with the necessary professional responsibility and due diligence.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

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14. VALUATION CERTIFICATE

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1.0 SALIENT DETAILS OF THE SUBJECT PROPERTY

1.1 Interest Valued/ Type of Property

The subject of this valuation comprises the interests in perpetuity in two contiguous units of three storey mid and end terraced shop/offices (With a built-in TNB Main Switch Station on the ground floor of the end unit), identified as Lots 23862 and 23861, both within Town and District of Seremban, Negeri Sembilan Darul Khusus, held under Title Nos. Geran 226738 and 226739, respectively.

1.2 Address

Premises Nos. 141 & 142, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan Darul Khusus.

1.3 Location

The Subject Property is located within the Central Business District ("CBD") of Seremban town and is located along the western (right) side of Jalan Tun Dr. Ismail, one of the main business thoroughfares of Seremban town, travelling from Seremban-Mantin main road towards Jalan Yam Tuan.

Seremban town is a strategic and well established town located about 68 kilometres (42.5 miles) to the south-east of Kuala Lumpur city. The North-South Expressway, the country's main highway linking major cities and towns is located about 3 kilometres (1.9 miles) to the south-west of Seremban town.

Kajang-Seremban Highway ("LEKAS") is a second highway connecting Klang Valley with Seremban. LEKAS commences immediately at the south of the Kajang Ring Road (SILK Highway) and end at Paroi. There are 9 existing interchanges along this Highway which is Kajang Selatan, Semenyih, Ecomajestic, Pajam, Mantin, Setul, Temiang, Jelebu/Ampangan and Paroi/Senawang. The Setul, Temiang, Jelebu and Paroi/Senawang exits which are located in the periphery of Seremban town provide greater link between other towns within Klang Valley with Seremban.

The Subject Property fronts onto Jalan Tun Dr. Ismail and is easily accessible from various parts of the Seremban town, all being well maintained metalled roads.

The Seremban KTM Railway Station which is linked with the KTM Commuter station is located about 1.5 kilometres (0.9 mile) to the south-east of the Subject Property.

Seremban Prima Shopping Mall and Terminal 1 Shopping Centre which are the main shopping attraction of the town are located about 1.4 kilometres (0.9 mile) and 1.2 kilometres (0.7 mile) to the south-east of the Subject Property, respectively. Seremban Palm Mall is located about 2.5 kilometres (1.5 miles) to the south-west of the Subject Property.

Also located in the immediate vicinity of the Subject Property is SHELL Petrol Filling and Service Station along Jalan Tun Dr. Ismail and Pasar Besar Seremban is located about 200 metres to the south of the Subject Property.

1.4 Title Particulars

Lot No.	Title No.	Title Land Area	Annual Rent	Encumbrance
Lot 23862	Geran 226738	148 square metres	RM110.00	Charged by Modal Saujana Sdn Bhd to CIMB Bank Berhad, registered on 28 July 2009.
Lot 23861	Geran 226739	333 square metres	RM210.00	Charged by Modal Saujana Sdn Bhd to Public Islamic Bank Berhad, registered on 22 May 2018.

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In respect of both titles:-

Town & District	:	Seremban
State	:	Negeri Sembilan Darul Khusus
Tenure	:	Interest in perpetuity
Category of Land Use	:	Building
Express Condition	:	Tanah ini hendaklah digunakan untuk bangunan perniagaan sahaja.
Restriction In Interest	:	Tanah yang diberimilik ini tidak boleh dipindahmilik, dipajak, digadai melainkan dengan kebenaran bertulis daripada Pihak Berkuasa Negeri.
Registered Proprietor	:	Modal Saujana Sdn Bhd

1.5 Description

1.5.1 The Sites

Lot 23862

This site is an intermediate plot, rectangular in shape, having a title land area of about 148 square metres (1,593 square feet). It has a frontage of about 6.706 metres (22 feet) onto Jalan Tun Dr. Ismail and an average depth of about 22.149 metres (72.67 feet). The rear of the site abuts onto a mettaled backlane.

Lot 23861

This site is an end plot, almost rectangular in shape, having a title land area of about 333 square metres (3,584 square feet). It has a frontage of about 15.132 metres (49 feet) onto Jalan Tun Dr. Ismail and a return frontage of about 22.977 metres (75 feet) onto a side lane. The rear of the site abuts onto a metalled backlane.

A TNB Sub-Station measuring an area of about 114 square metres ("Sq. M.") (1,225 square feet "Sq. Ft.") is erected within the ground floor of the western portion of the site and has been leased to Tenaga Nasional Berhad.

1.5.2 The Buildings

We wish to draw your attention that at the date of our inspection on 8th January 2020, we noted that construction works of the extension, renovation and refurbishment works of the Subject Property were in progress. We note from Clause 5.1 of the Sale And Purchase Agreement ("SPA") made between Modal Saujana Sdn Bhd (the Vendor) and OESC (the Purchaser) dated 1st December 2019 that the basis of purchase of the Subject Property is in it's original state of the building.

In light of the above, we have valued the Subject Property on it's original state excluding all the ongoing extension, renovation and refurbishment works.

The three storey buildings are constructed of reinforced concrete frame with brick infills rendered externally and plastered internally partly supporting timber pitched roof laid over with concrete roofing tiles and partly reinforced concreted flat roof.

The ceilings of the ground, first and second floors are generally of cement plaster with the exception of the ceilings of the ground floor of Premises No. 141 which is of plaster board incorporating inset lighthings.

Internal walls of the water closet of the ground floor of the Premises No. 141 is lined with glazed wall tiles up to the ceiling height.

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The floor of the ground, first and second floors are generally finished with ceramic tiles with the exception of the ground floor of the Premises No. 141 which is finished with glazed ceramic slabs.

Vertical access between floors is by means of a reinforced concrete staircase finished with ceramic tiles.

Table 1.0: Built-Up Area In Accordance With The Uniform Method Of Measurement Of Buildings By The Royal Institution Of Surveyors Malaysia

Property	Main Floor Area		Ancillary Floor Area		Gross Floor Area		Net Lettable Area	
	Sq. M.	Sq. Ft.	Sq. M.	Sq. Ft.	Sq. M.	Sq. Ft.	Sq. M.	Sq. Ft.
Premises No. 141 (Mid)	423.55	4,559	20.44	220	443.99	4,779	393.82	4,239
Premises No. 142 (End)	847.65	9,124	31.86	343	879.51	9,467	786.33	8,464
Total	**1,271.20**	**13,683**	**52.30**	**563**	**1,323.50**	**14,246**	**1,180.15**	**12,703**

1.6 Planning Details

The Subject Property is located within an area designated for 'Commercial' use.

The Subject Property ages about 14 years old and Certificates of Fitness for Occupation ("CFO") were issued by Majlis Perbandaran Seremban vide No. 327/2007 dated 6th November 2007. In the CFO, the Subject Property is identified under its former Lot No. PT No. 8112(1) and PT No. 8112(2).

We note from approved building plans bearing Reference No. MPS/OSC/0103/18/03/PB (07/2019, 07(A)/2019 & 07(B)/2019) dated 25th January 2019, that the under construction works of the extension, renovation and refurbishment have been approved by Majlis Bandaraya Seremban.

1.7 Past Transaction Of The Subject Property

We note from the SPA made between Modal Saujana Sdn Bhd (the Vendor) and OESC (the Purchaser) dated 1st December 2019, that the Vendor has sold Premises Nos. 141 & 142 for RM1,050,000/- and RM2,150,000/-, respectively to the Purchaser.

1.8 Occupancy Status

We note from the Tenancy Agreement dated 1st December 2019 made between Modal Saujana Sdn Bhd (the Landlord) and Optimax Eye Specialist Centre (Seremban) Sdn Bhd (the Tenant), that the Landlord has tenanted the Subject Property for a term of three (3) years (Principal Tenancy Period) commencing from 1st December 2019 and expiring on 30th November 2022 for a monthly rental of RM16,500/-. The tenancy is also subject to an option for renewal for further period of two (2) terms of three (3) years each (Secondary Tenancy Period). Other terms and conditions are in accordance with a standard tenancy agreement.

2.0 VALUATION METHODOLOGY

In arriving at the Market Value of the Subject Property, we have adopted the Comparison and Investment Methods.

2.1 Comparison Method

The Comparison Method is premised on the principle that comparison is made of the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustments are made.

Under this method, an estimate of the market value is derived by comparing the property under valuation with other similar properties that had been sold in the recent past.

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In determination of value by this method, a survey was made of property sales that have occurred in this or similar areas within the recent past. These comparable sale prices are then adjusted for comparability to reflect differences in time, location and accessibility, building characteristics, grade, quality, facilities, age, condition, and size to render the sold properties as similar as possible with the Subject Property. We have compiled and analysed sale evidences of similar type of shop/offices in the locality of the Subject Property. In arriving at our opinion of the market value of the Subject Property using the Comparison Method, the following sale evidences, amongst others, are considered suitable comparables and adopted.

Table 2.0: Details Of The Sale Transactions And Comparison Method

No.	Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
						
a	Property Address	Premises No. 14, Medan Suria, 70000 Seremban, Negeri Sembilan Darul Khusus	Premises No. 25, Jalan Prima 2, Pusat Kommercial Rasah Prima, Seremban, Negeri Sembilan Darul Khusus	Premises No. 100, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus	Premises No. 3, Jalan DM 1, Millennia Business Centre, Seremban, Negeri Sembilan Darul Khusus	Premises No. 19, Jalan Era Square 3, Era Square, Seremban, Negeri Sembilan Darul Khusus
b	Lot No.	Lot 22929, Town of Seremban, District of Seremban, Negeri Sembilan Darul Khusus	PT No. 8859, Town of Seremban, District of Seremban, Negeri Sembilan Darul Khusus	Lot 1679, Town of Seremban, District of Seremban, Negeri Sembilan Darul Khusus	Lot 15047, Town of Seremban, District of Seremban, Negeri Sembilan Darul Khusus	Lot 22856, Town of Seremban, District of Seremban, Negeri Sembilan Darul Khusus
c	Title No.	Geran 211792	HS(D) 226809	Geran 30545	HS(D) 143365	Geran 138764
d	Description of the Building	A three storey mid terraced shop/office	A three storey mid terraced shop/office	A three storey mid terraced shop/office	A three storey mid terraced shop/office	A three storey mid terraced shop/office
e	Land Area	1,539 Sq. Ft.	1,610 Sq. Ft.	2,000 Sq. Ft.	1,765 Sq. Ft.	1,539 Sq. Ft.
f(i)	Main Floor Area	4,379 Sq. Ft.	4,646 Sq. Ft.	5,040 Sq. Ft.	5,099 Sq. Ft.	4,373 Sq. Ft.
f(ii)	Gross Floor Area	4,617 Sq. Ft.	4,830 Sq. Ft.	5,200 Sq. Ft.	5,295 Sq. Ft.	4,617 Sq. Ft.
f(iii)	Net Lettable Area	3,979 Sq. Ft.	4,286 Sq. Ft.	4,680 Sq. Ft.	4,699 Sq. Ft.	3,973 Sq. Ft.
g	Consideration	RM1,230,000/-	RM1,100,000/-	RM1,300,000/-	RM1,000,000/-	RM1,000,000/-
h	Date Of Transaction	25 June 2019	12 October 2018	27 September 2017	24 July 2017	17 July 2017
i	Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
j	Vendor	Gan Boon Keong	CL Building Sdn Bhd	Machtal Bin Abdul Majid	Anexco Sdn Bhd	Chua Ah Nye
k	Purchaser	YSK Property Sdn Bhd	Wu Kin Woon + 1	Yong Chou Lian	Y & Y Mix Sdn Bhd	Nilai Genting Sdn Bhd
	Analysis (Per Sq. Ft.) (Consideration/ Net Lettable Area)	**RM309.12**	**RM256.65**	**RM277.78**	**RM212.81**	**RM251.70**
	Adjustment Factors Considered	Location, Corner/End Premium, Building Quality, Size and Restriction In Interest.				
	Effective Adjusted Value (Per Sq. Ft.)	**RM255.03**	**RM263.07**	**RM263.89**	**RM239.41**	**RM251.70**

Source: Valuation and Property Services Department, Ministry of Finance

(a) We note that the analysis of the terraced shop/office transaction range from RM212.81 per square foot to RM309.12 per square foot. After making the necessary adjustments, the adjusted values range from RM239.41 per square foot to RM263.89 per square foot.

(b) In arriving at the market value using the Comparison Method, we have relied upon analysis of Sale Comparable 1 which is the latest sale evidence and the nearest to the Subject Property. We have adopted the adjusted value of RM255.03 per square foot from the adjustments of Comparable 1 as fair representation which translates into a market value of RM3,239,600/-.

2.2 Investment Method

The investment method is premised on the principle that the value of an income-producing property is represented by "the present worth of future rights to income, or utility". The value estimate under this method is derived by ascertaining the market rent of the property (i.e. that income which is ascribable to the property under its highest and best use); deducting all reasonable annual operating expenses (as would be experienced under typical management) and then capitalising the resultant net operating income by an appropriate rate of capitalisation to obtain the present value of the income stream.

In undertaking our assessment of the value using the capitalisation approach, the market rental income and expected future rental income are taken into consideration. In arriving at the net income, the outgoings i.e. quit rent, assessment, insurance, repair and maintenance, management and voids is deducted from gross rental income.

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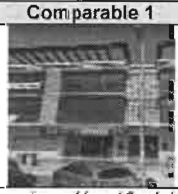
The gross rental income contained in the Tenancy Agreement dated 1st December 2019 made between Modal Saujana Sdn Bhd (the Landlord) and Optimax Eye Specialist Centre (Seremban) Sdn Bhd (the Tenant), that the Landlord has tenanted the Subject Property for a term of three (3) years (Principal Tenancy Period) commencing from 1st December 2019 and expiring on 30th November 2022 for a monthly rental of RM16,500/-. The tenancy is also subject to an option for renewal for further period of two (2) terms of three (3) years each (Secondary Tenancy Period). Other terms and conditions are in accordance with a standard tenancy agreement.

2.2.1 Market Rental

In arriving at the Market Rental Value of the Subject Property, we have compiled Rental evidences from Valuation and Property Services Department, Ministry of Finance/asking rentals/passing rentals of similar type of properties based on our site survey with the tenants. We have made diligent adjustments from the rental evidences prior to arriving at the fair market rental of the Subject Property.

Table 3.0: Details Of The Rental Comparables And Comparison Method

No.	Description	Comparable 1	Comparable 2	Comparable 3	Comparable 4
					
a	Property Address	Premises No. 10, Jalan Rasah Prima 1, Pusat Kommercial Rasah Prima, 70300 Seremban, Negeri Sembilan Darul Khusus	Premises No. 34, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus	Jalan Yam Tuan, 70000 Seremban, Negeri Sembilan Darul Khusus	Jalan Tun Dr Ismail, 70000 Seremban, Negeri Sembilan Darul Khusus
b	Description of the Building	A three storey mid terraced shop/office	A double storey mid terraced shop/office	A three storey end terraced shop/office	A three storey end terraced shop/office with mezzanine floor
c	Net Lettable Area	4,430 Sq. Ft.	3,440 Sq. Ft.	10,800 Sq. Ft.	10,896 Sq. Ft.
d	Gross Monthly Rental/Asking Gross Monthly Rental	RM5,500/-	RM4,100/-	RM15,000/-	RM15,000/-
e	Negotiated Gross Monthly Rental	Actual	Actual	RM13,500/- (Asking)	RM13,500/- (Asking)
f	Date of Commencement	1 January 2018	1 January 2018		
g	Date of Expiry	31 December 2020	31 December 2019		
h	Term	3 years	2 years		
	Analysis (Per Sq. Ft.) (Monthly Rental/Net Lettable Area)	**RM1.24**	**RM1.19**	**RM1.25**	**RM1.24**
	Adjustment Factors Considered	Location, Building Quality, Corner/End Premium and Size.			
	Effective Adjusted Value (Per Sq. Ft.)	**RM1.30**	**RM1.31**	**RM1.31**	**RM1.30**

Source: *The Rental Comparables of 1 and 2 are obtained from Valuation and Property Services Department, Ministry of Finance whilst Rental Comparables 3 and 4 are obtained by our inquiries of asking rentals at the site in the immediate vicinity, newspapers and internet. We have made downward adjustment on the asking rentals for negotiation.*

(a) We have analysed and made diligent adjustments for differences of the comparable properties against the Subject Property. We note that analysis of comparable rentals range between RM1.19 per square foot to RM1.25 per square foot. After making the necessary adjustments, the adjusted rental range from RM1.30 per square foot to RM1.31 per square foot.

(b) In arriving at the market rental value, we have relied upon analysis of Rental Comparable 1 which is the actual rental evidence with least dissimilarities against the Subject Property. We have adopted RM1.30 per square foot as fair market rental value of the Subject Property.

2.2.2 Annual Outgoings

The net rent is the residue of gross annual market rent for the Subject Property less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees. We have analysed the actual past annual outgoings of the Subject Property and made diligent adjustments to arrive at the fair outgoings of the Subject Property. The actual annual outgoings of the Subject Property as adopted in arriving at the Market Value is tabulated below: -

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Table 4.0: Annual Outgoings

	Annual Outgoings For Year Ended 2019
Quit Rent (Actual)	RM320.00
Assessment (Actual)	RM5,928.00
Insurance (Actual)	RM2,642.25
Repair And Maintenance (Estimated)	RM9,900.00
Management (Estimated)	RM9,900.00
Total	**RM28,690.25 (RM0.19 Per Square Foot Per Month)**

Source: Modal Saujana Sdn. Bhd.

We have analysed the past annual outgoings of the Subject Property and made diligent adjustments to arrive at the fair outgoings of the Subject Property. We have adopted annual outgoings of RM0.19 per square foot per month amounting to RM28,690.25 for the term and reversion which is considered fair representation of the outgoings of the Subject Property.

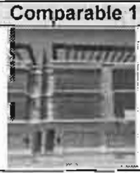
2.2.3 Rent Loss Adjustment/Vacancy Allowance

Taking into consideration the general trend of shop/offices vacancy for similar type of properties and the duration of the rent free allowance based on prevailing market practise, we have allocated 5% of the gross annual rental for vacancy period, vacancy between rent reviews and rent free & fitting out periods as fair representation for the reversion.

2.2.4 Yield/Capitalisation Rate

The resultant net rent is then capitalised by an appropriate yield to arrive at the market value of the Subject Property. We wish to inform that we have adopted a market corroborated capitalisation rate to arrive at the capital value of the Subject Property. The market based rate is the most frequently adopted methodology by the property industry in Malaysia as information pertaining to sales are easily available.

Table 5.0: Yields Analysis Of Sale Transactions

No.	Description	Comparable 1	Comparable 2	Comparable 3
				
a	Property Address	Premises No. 25, Jalan Prima 2, Pusat Comersial Rasah Prima, 70300 Seremban, Negeri Sembilan Darul Khusus	Premises No. 3, Jalan DM 1, Millenia Business Centre, 70200 Seremban, Negeri Sembilan Darul Khusus	Premises No. 19, Jalan Era Square 3, Era Square, 70200 Seremban, Negeri Sembilan Darul Khusus
b	Description of the Building	A three storey mid terraced shop/office	A three storey mid terraced shop/office	A three storey mid terraced shop/office
c	Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
d	Date Of Transaction	12 October 2018	24 July 2017	17 July 2017
e	Net Lettable Area (NLA)	4,270 Sq. Ft.	4,699 Sq. Ft.	3,991 Sq. Ft.
f	Consideration	RM1,100,000	RM1,000,000	RM1,000,000
g	Estimated Gross Rental Per Month	RM5,500/-	RM6,000/-	RM5,700/-
h	Less Negotiation	Actual	10% of the estimated rental	10% of the estimated rental
I	Gross Rental after Negotiation Per Month	RM5,500/-	RM5,400/-	RM5,130/-
j	Estimated Outgoings	20% Of Gross Annual Rental	20% Of Gross Annual Rental	20% Of Gross Annual Rental
	Analysed Yield.	**4.80%**	**5.18%**	**4.92%**

Source: Valuation and Property Services Department Ministry of Finance/Cheston Research

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Based on the above yield analysis, we note that the yields of transactions of similar type of terraced shop/offices in the vicinity range from 4.80% to 5.18%.

Having considered the relevant factors including location, existing market condition, physical characteristics, size, tenure and carefully going through the rental trend of similar type of properties as well as annual outgoings, we have adopted reversionary yield of 5.00% whilst the adopted term yield is 4.50% which reflects the fair yield for the Subject Property.

3.0 RECONCILIATION OF VALUES

The market values derived by adopting the valuation methods are tabulated below:-

Table 6.0: Reconciliation of Values

Method of Valuation	Derivation of Values
Comparison Method	RM3,239,600/-
Investment Method	RM3,218,391/-
Market Value Adopted	**RM3,200,000/-**

Based on our investigation and analysis, we note that there are adequate sale evidences of similar type of properties in the immediate vicinity of the Subject Property which can be relied upon to arrive at the accurate market value of the Subject Property using the Comparison Method. The details of the sale evidences are easily available from the Valuation And Property Services Department, Ministry Of Finance, Malaysia.

The market value derived from the Comparison Method is RM3,239,600/-

We have also adopted the Investment Method to arrive at the market value of the Subject Property. Based on the Investment Method, the market value derived is RM3,218,391/-. The market value derived from the Investment Method is based on the rental evidences of similar type of properties in the vicinity as obtained from Valuation And Property Services Department, Ministry Of Finance Malaysia and based on our survey of asking rentals of similar type of property in the vicinity.

The market approach (Comparison Method) is based on the prices which are concluded in the open market between willing buyers and willing sellers through a price mechanism. The market approach also takes into consideration other factors which have impact on the price comprising the purchaser's capacity and knowledge, understanding of the relative utilities of the property.

The Subject Property is an income generating investment property, therefore Investment Method is also a reliable and appropriate method of valuation. The market value of an investment property is a function of the income stream. The cash flows of an investment property are subject to the specific nature of the particular investment property and the lease/tenancy terms. Since there is active investment market in the locality of the Subject Property which is evident from the existence of numerous rental evidences, the Investment Method can also be relied upon to arrive at the accurate Market Value of the Subject Property as well.

Hence, we have considered the market value derived from both the Comparison and Investment Methods of RM3,200,000/- as fair and accurate representation of the market value of the Subject Property.

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4.0 OPINION OF VALUE

Having regard to the foregoing, taking into consideration all pertinent factors and based upon our analysis of relevant market data, we are of the opinion that the market value of the interests in perpetuity in two contiguous units of three storey mid and end terraced shop/offices (With a built-in TNB Main Switch Station on the ground floor of the end unit), identified as Lots 23862 and 23861, both within Town and District of Seremban, Negeri Sembilan Darul Khusus, held under Title Nos. Geran 226738 and 226739, respectively, bearing postal addresses Premises Nos. 141 & 142, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan Darul Khusus, subject to the existing tenancy and subject to the titles being free of all encumbrances, good, marketable and registrable is RM3,200,000/- (Ringgit Malaysia : Three Million and Two Hundred Thousand Only).

For And On Behalf Of
CHESTON INTERNATIONAL (KL) SDN. BHD.

G. PAREMES SIVAM, FRISM, MRICS, MIACVS, MPEPS, MMIPFM
CHARTERED SURVEYOR
REGISTERED VALUER, V-480
DATE OF VALUATION: 8TH JANUARY 2020

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Valuer's Professional Experience

Cheston International (formerly known as Chesterton International) was established in 1991, has offices in 5 cities in Malaysia and with overseas associates and affiliates. The Group is supported by about 100 qualified industry experts with understanding and knowledge of respective local and overseas markets and necessary competencies, expertise and experience in the valuation and various aspects of real estate services.

Cheston International Group provides a range of property consultancy services involving portfolio valuation for corporations and multinationals seeking listing on the Kuala Lumpur, Singapore and Hong Kong Stock Exchanges. Other areas of expertise include valuation of commercial properties for sale and purchase purposes, statutory valuations for compulsory land acquisition and appeal on annual assessment purposes, valuation of plant, machinery and equipment of power plants and manufacturing facilities, valuation for arbitration and litigation purposes, timber concessions and mineral resource valuations, infrastructure and utilities valuations, independent development and research consultation, property market analysis, feasibility studies and investment evaluation, management of properties, and sales and lettings of all types of real estates. The Group also specialises in providing real estate solutions to all group of clients from individuals to corporations, institutions, state owned enterprises, joint ventures and multinationals.

Sr G. Paremes Sivam is a Registered Valuer, Registered Estate Agent and Registered Property Manager with the Board of Valuers, Appraisers, Estate Agents & Property Managers Malaysia. He is also a Fellow of the Royal Institution of Surveyors Malaysia (FRISM), Member of the Royal Institution of Chartered Surveyors, UK (MRICS), Member of International Association of Certified Valuation Specialists, Canada (MIACVS), Member of Malaysian Institute of Professional Property and Facility Managers (MMIPFM) and Member of Association Of Valuers, Property Managers, Estate Agents And Property Consultants In Private Sector, Malaysia (MPEPS). He has over 27 years of working experience in the real estate professional services and has experience in the property market in Malaysia. He specialises in cash flow projections of major commercial properties, townships, oil palm plantations and has been involved in several due diligence exercises involving real estate investments. He also provides advisory services to major corporations, public and private companies, multinationals, developers and industrialists.

15. STATUTORY AND OTHER GENERAL INFORMATION

15.1 EXTRACTS OF OUR CONSTITUTION

The following is extracted from our Constitution and is qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires.

15.1.1 Remuneration, voting and borrowing powers of directors

Clause 93 – Remuneration of Directors

"(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(4) The following expenses shall be determined by the Directors:

(a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and

(b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.

(5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover."

Clause 95 – Power of Directors

"Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

(1) borrow money;

(2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;

(3) issue debentures and other Securities whether outright or as security; and/or

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company."

Clause 62 – Casting Vote

"In the case of an equality of votes, whether on a show of hands or on a poll, the chairperson of the General Meeting at which the show of hands takes place or at which the poll is carried out is entitled to a second or casting vote."

15.1.2 Changes to share capital

Clause 8 – Variation of Rights

"(1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

(2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:

(a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;

(b) if that class of shares only has one holder, a quorum is constituted by one (1) person present holding shares of such class; and

(c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.

(3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

(a) the terms of the issue of the existing preference shares; or

(b) the Constitution of the Company as in force at the time when the existing preference shares were issued."

15.1.3 Transfer of securities

Clause 14 – Transfer of securities

"The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities."

15.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 12 – Issue of securities

"(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company.

(2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):

(a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;

(b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and

(c) for such consideration as the Directors may determine.

(3) (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

(b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.

(c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

(4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with prior shareholder approval in a General Meeting of the precise terms and conditions of the issue."

15.2 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.3 SHARE CAPITAL

(i) Our Group is made up of Optimax and 14 subsidiaries, namely, OESC, OESC Ipoh, OESC Kajang, OESC Seremban, OESC Seri Petaling, OESC Shah Alam, OESC Bandar Sunway, OESC Southern, Inspirasi Alamjaya, OESC Kluang, OESC Muar, OESC Segamat, OESC Kuching and Optixanthin.

(ii) The share capital of our Company and our material subsidiary as at the LPD and the changes in their respective share capital for the Period under Review are as set out in Section 6.1.3 and Section 6.2.3 of this Prospectus respectively.

(iii) There were no shares which has been paid for with assets other than cash within the past three years from the LPD. Save for the new Shares issued and to be issued pursuant to the Acquisition SSA and the IPO, no shares, stocks or debentures of our Company have been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years preceding the date of this Prospectus.

(iv) None of the share capital of our Company is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.

(v) No securities will be allotted, issued or offered on the basis of this Prospectus later than six months after the date of this Prospectus.

(vi) As at the date of this Prospectus, save for the Pink Form Shares reserved for the Eligible Persons as disclosed in Section 4.2.1 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Company.

15.4 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by our Group during the Period under Review up to the date of this Prospectus:

(i) Sale and Purchase Agreement dated 29 January 2016 entered into between Sunrise Consortium (M) Sdn Bhd (as vendor) and OESC (as purchaser) for the acquisition by OESC of the Penang Building, for a total consideration of RM16,500,000.00. As at the LPD, the sale and purchase transaction as contemplated under the agreement has been completed.

(ii) Asset Purchase Agreement dated 31 December 2016 entered into between Lam Eye Specialist and Laser Center Sdn Bhd (as vendor) and OESC Muar (as purchaser) for the purchase by OESC Muar of all the rights, titles and interests of the assets and properties of the vendor, excluding debts incurred by the vendor arising from its business and all debts, liabilities and obligations of the vendor or its shareholders, directors, officers, representatives in relation to its business, for a total consideration of RM1,200,000.00. As at the LPD, the sale and purchase transaction as contemplated under the agreement has been completed.

(iii) Sale and Purchase Agreement dated 19 December 2017 entered into between Modal Saujana Sdn Bhd (as vendor) and OESC (as purchaser) for the purchase by OESC of the Seri Petaling Building bearing the postal address of No. 145, 145-1 and 145-2, Jalan Radin Bagus, Seri Petaling, 57000 Kuala Lumpur, for a total consideration of RM5,300,000.00. As at the LPD, the sale and purchase transaction as contemplated under the agreement has been completed.

(iv) The Seremban Buildings SPA. As at the LPD, the sale and purchase of the Seremban Buildings as contemplated under the Seremban Buildings SPA is still pending completion.

(v) The Acquisition SSA. The sale and purchase transaction as contemplated under the Acquisition SSA has been completed on 15 June 2020.

(vi) The Underwriting Agreement, further details of which are set out in Section 4.7 of this Prospectus.

15.5 MATERIAL LITIGATION

As at the LPD, our Group is not involved in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there is no legal proceeding, pending or threatened, against our Group or of any fact likely to give rise to any proceeding which might materially and adversely affect our business or financial position.

15.6 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan during office hours for a period of six months from the date of this Prospectus:

(i) our Constitution;

(ii) our material contracts referred to in Section 15.4 of this Prospectus;

(iii) the Reporting Accountants' report on the pro forma statement of financial position and the Accountants' Report as referred to in Sections 12.5 and 13 respectively of this Prospectus;

(iv) the IMR Report dated 22 June 2020, as set out in Section 8 of this Prospectus;

(v) the letters of consent given by:

(a) our Principal Adviser, Sole Placement Agent, Sole Underwriter and Sponsor, Solicitors, Issuing House, Share Registrar and Company Secretaries as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear;

(b) the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report and Reporting Accountants' report on the pro forma statement of financial position, and all references thereto in the form and context in which they appear in this Prospectus;

(c) the Independent Market Researcher for the inclusion of its name and the IMR Report in the form and context in which they are contained in this Prospectus; and

(d) the Independent Property Valuer for the inclusion of its name, the valuation report and the Valuation Certificate in the form and context in which they are contained in this Prospectus.

(vi) the audited consolidated financial statements for FYE 2016, FYE 2017, FYE 2018 and FYE 2019 of OESC;

(vii) the audited financial statements for FYE 2016, FYE 2017, FYE 2018 and FYE 2019 of:

(a) OESC Kajang;
(b) OESC Seremban;
(c) OESC Shah Alam;
(d) OESC Bandar Sunway;
(e) OESC Kuching; and
(f) OESC Muar;

(viii) The audited financial statements for FYE 2017, FYE 2018 and FYE 2019 of:

(a) OESC Ipoh; and
(b) Inspirasi Alamjaya.

(ix) The audited financial statements for the financial period ended 31 December 2017, FYE 2018 and FYE 2019 of:

(a) OESC Seri Petaling;
(b) OESC Southern;
(c) OESC Kluang; and
(d) OESC Segamat.

(x) The audited financial statements for the financial period ended 31 December 2019 of Optixanthin;

(xi) The audited financial statements for the financial period ended 31 December 2018 and FYE 2019 of Optimax; and

(xii) The valuation report of the Seremban Buildings and the Valuation Certificate.

15. STATUTORY AND OTHER GENERAL INFORMATION

15.7 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang IB as the Principal Adviser, Sole Placement Agent, Sole Underwriter and Sponsor acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and *vice versa*.

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 15 JULY 2020

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 4 AUGUST 2020

In the event of any changes to the date or time stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

16.2.1 Retail Offering

All Applications must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of application and category of investors	Application method
Applications by Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

16.2.2 Placement

Types of Application	Application method
Applications by selected investors	The placement agent(s) will contact the selected investors directly. They should follow the placement agent(s) instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) you must be one of the following:

  (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

  (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

  (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;

(ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) you must submit Applications by using only one of the following methods:

  (a) White Application Form;

  (b) Electronic Share Application; or

  (c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

16.4 APPLICATION BY WAY OF AN APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.30 for each IPO Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO. 605**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
Registration Number: 199301003608 (258345-X)
Level 11, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

OR

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

so as to arrive not later than 5.00 p.m. on 4 August 2020 or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF AN ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.6 APPLICATION BY WAY OF AN INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

   (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

   (b) are illegible, incomplete or inaccurate; or

   (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.mih.com.my) within one business day after the balloting event.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.2.3 of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Modes of Application	Parties to direct the enquiries
Application Forms	Issuing House at telephone no. 03-7890 4700
Electronic Share Applications	Participating Financial Institution
Internet Share Applications	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your application by calling your respective ADA at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. 03-7890 4700 between five to 10 Market Days (during office hours only) after the final ballot day.

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ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

As at the LPD and save as disclosed below, there are no other major approvals, licences and permits obtained by our Group. Details of the major approvals, licences and permits obtained by our Group for the operation of our business and the status of compliance are as set out below:

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
	Licences to operate specialist hospital and ambulatory care centres						
(i)	OESC Ipoh	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Pusat Kesihatan Ipoh (Ipoh Healthcare Centre)" situated at Tingkat Bawah, No. 1, Jalan Dato' Khong Kam Tak, Off Jalan Tambun, 31400 Ipoh, Perak, with the following healthcare services and facilities: **Type of Healthcare Services** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **Type of Facilities** (i) One operation room (minor) (ii) Two recovery beds (iii) One specialist clinic (iv) Central sterile supply unit Person in charge: Dr. Stephen Chung[3]	930803-00115-03/2019	9.2.2020 – 8.2.2022	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(ii)	OESC	MOH	Licence to operate and provide a private hospital[1] known as "Optimax Eye Specialist Hospital (Penang)" situated at Tingkat Bawah, No. 223, Jalan Masjid Negeri, 11600 George Town, Pulau Pinang, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Inpatient services for ophthalmology (ii) Nursing, pharmaceuticals and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One operation room (minor) (ii) One treatment room for Lasik (iii) Central sterile supply unit (iv) Two outpatient specialist clinics (v) Ward comprising of two double-bedded rooms Person in charge: Dr. Lee Seow Yeang	130704-00267-01/2020	29.4.2020 – 28.4.2022	(i) Limited to patients who are stable and low risk only; and (ii) Limited to ophthalmology procedures under local anesthesia only.	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(iii)	OESC	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Klang Eye Specialist Centre" situated at 17 & 19 (Ground Floor), Jalan Bayu Tinggi 7, 41200 Klang, Selangor, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One consultation room (ii) One eye examination room (iii) One operation room (minor) (iv) Two chairs in daycare / recovery (v) Central sterile supply unit Person in charge: Dr. Yen Siew Siang	931002-00189-03/2020	17.02.2020 – 16.02.2022	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(iv)	OESC Seri Petaling	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Kuala Lumpur Eye Specialist Centre" situated at No. 145, Ground Floor, Jalan Radin Bagus, Seri Petaling, 57000 Kuala Lumpur, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for medicine and ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One operation room (minor) (ii) Two chairs in daycare / recovery (iii) One specialist clinic (iv) One examination room (v) Central sterile supply unit Person in charge: Dr. Chuah Kay Leong [4]	931401-00162-03/2019	4.12.2019 – 3.12.2021	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(v)	OESC Shah Alam	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Shah Alam Eye Specialist Centre" situated at No. 50 & 52G, Blok 3, Jalan Pahat G 15/G, Dataran Otomobil, Seksyen 15, 40200 Shah Alam, Selangor, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One operation room (minor) (ii) Central sterile supply unit Person in charge: Dr. Nor Zainura Binti Zainal	931005-00053-03/2018	29.12.2018 – 28.12.2020	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(vi)	OESC Bandar Sunway	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Bandar Sunway Eye Specialist Centre" situated at No. 11, GF, Jalan PJS 11/28B, Bandar Sunway, 46150 Petaling Jaya, Selangor, with the following healthcare services and facilities: **Type of Healthcare Services** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **Type of Facilities** (i) One operation room (minor) (ii) One consultation room (iii) One eye examination room / refraction room (iv) One chair in the recovery room (v) Central sterile supply unit Person in charge: Dr. Ngo Chek Tung	931005-00220-03/2019	3.10.2019 – 2.10.2021	(i) The licence cannot be transferred unless the requirements under the PHFSA 1998 have been fully complied with. (ii) Limited to ophthalmology procedures under local anesthesia only. (iii) Subject to the current policy on foreign equity participation imposed by the government for private ambulatory care centre.	Complied

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(vii)	OESC	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Eye Specialist Centre" situated at 2-2-1, Bangunan AHP, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) Two operation rooms (ii) Two consultation rooms (iii) Four refraction rooms (iv) One eye examination room (v) One chair in daycare / recovery (vi) Central sterile supply unit Person in charge: Dr. Sia Sien Bing	931401-00218-03/2019	3.10.2019 – 2.10.2021	(i) The licence cannot be transferred unless the requirements under the PHFSA 1998 are fully complied with. (ii) Limited to ophthalmology procedures under local anesthesia only. (iii) Subject to the current policy on foreign equity participation imposed by the government for private ambulatory care centre.	Complied

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(viii)	OESC Kluang	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Kluang Eye Specialist Centre" situated at No. 43 & 44, Ground Floor, Jalan Haji Manan, 86000 Kluang, Johor, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One specialist clinic (ii) One operation room (minor) (iii) One eye examination room (iv) Central sterile supply unit (v) Two chairs in daycare / recovery Person in charge: Dr. Lam Hee Hong[5]	930103-00181-03/2018	17.12.2018 – 16.12.2020	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(ix)	OESC Muar	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Eye Specialist Centre (Muar) Sdn Bhd" situated at No. 1-5 & 1-6, Tingkat Bawah, Jalan Ismail, 84000 Muar, Johor, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One operation room (minor) (ii) Two specialist clinics Person in charge: Dr. Ngim You Siang[6]	930106-00121-03/2019	10.4.2019 – 9.4.2021	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(x)	OESC Segamat	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Segamat Eye Specialist Centre" situated at No. 49B & 49C (Ground Floor), Jalan Genuang, 85000 Segamat, Johor, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One specialist clinic (ii) One operation room (minor) (iii) One eye examination room (iv) One laser room (v) Central sterile supply unit (vi) Two chairs in recovery / daycare Person in charge: Dr. Ng Kang Kok[7]	930108-00179-03/2018	1.11.2018 – 31.10.2020	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(xi)	Inspirasi Alamjaya	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Johor Eye Specialist Centre" situated at No. 53 & 55, Ground Floor, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor Bahru, Johor, with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One operation room (minor) (ii) Two chairs in daycare (iii) Central sterile supply unit (iv) One specialist clinic Person in charge: Dr. Leow Sue Ngein	930102-00152-03/2019	15.11.2019 – 14.11.2021	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

	Holder of Licence / Certificate	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
(xii)	OESC Kuching	MOH	Licence to operate and provide a private ambulatory care centre[1] known as "Optimax Kuching Eye Specialist Centre" situated at No. 59 & 61, Ground Floor, Jalan Tun Jugah, 93250 Kuching, Sarawak with the following healthcare services and facilities: **<u>Type of Healthcare Services</u>** (i) Ambulatory care services for ophthalmology (ii) Nursing and sterilising services (iii) Outpatient specialist services for ophthalmology **<u>Type of Facilities</u>** (i) One operation room (ii) One consultation room / refraction room (iii) One laser room (iv) Central sterile supply unit Person in charge: Dr. Chua Chung Nen	931301-00219-03/2019	3.10.2019 – 2.10.2021	(i) The licence cannot be transferred unless the requirements under the PHFSA 1998 are fully complied with. (ii) Limited to ophthalmology procedures under local anesthesia only. (iii) Subject to the current policy on foreign equity participation imposed by the government for private ambulatory care centre.	Complied
	<u>Licences to operate or provide private medical clinics</u>						
(xiii)	Dr. Suraiya Binti Mohamad Shafie[8]	MOH	Certificate to establish or maintain or operate or provide a private medical clinic[2] known as "Optimax Eye Specialist Centre" situated at No. 141, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan Person in charge: Dr. Suraiya Binti Mohamad Shafie[8]	230505-06146-11	17.7.2008	Nil	Not applicable

ANNEXURE A: MAJOR APPROVALS, LICENCES AND PERMITS

Note:

(1) *Granted pursuant to the PHFSA 1998 and Private Hospitals and Other Private Healthcare Facilities Regulations 2006.*

(2) *Granted pursuant to the PHFSA 1998 and Private Medical Clinics or Private Dental Clinics Regulations 2006.*

(3) *As at the LPD, OESC Ipoh is in the midst of preparing its application to MOH for the change of person in charge to Dr. Edwin Ooi Inn Loon.*

(4) *OESC Seri Petaling had on 13 May 2020 submitted its application to MOH for the change of person in charge to Dr. Chang Khai Meng.*

(5) *OESC Kluang had on 12 June 2020 submitted its application to MOH for the change of person in charge to Dr. Ng Kang Kok.*

(6) *OESC Muar had on 12 June 2020 submitted its application to MOH for the change of person in charge to Dr. Lam Hee Hong.*

(7) *OESC Segamat had on 5 June 2020 submitted its application to MOH for the change of person in charge to Dr. Ngim You Siang.*

(8) *Dr. Suraiya resigned in 2017 and OESC Seremban has subsequently submitted its application to MOH for change of person in charge to Dr. Ngo Chek Tung. As at the LPD, the application is with the MOH for processing and is pending the conversion of the Seremban Buildings from specialist clinic to an ambulatory care centre, following which the MOH will process OESC Seremban's application for an ambulatory care centre licence.*

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ANNEXURE B: MATERIAL REAL PROPERTIES

B1: Real Properties Owned by Our Group

The real properties owned by our Group as at the LPD are as follows:

Title / Postal address	Registered owner / Beneficial owner	Description / Existing use	Express conditions / Category of land use	Restrictions in interests	Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure / Date of expiry of lease	Date of issuance of CF/CCC	NBV as at FYE 2019 (RM)
Geran 17372, Lot 2457, Seksyen 6, Bandar George Town, Daerah Timor Laut, Negeri Pulau Pinang / No. 223, Jalan Masjid Negeri, 11600 Pulau Pinang	OESC	2-storey detached bungalow and a 1-storey annex / Eye specialist hospital (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (ii) of Annexure A of this Prospectus)	The land: (a) shall not be affected by any provision of the National Land Code 1965 limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the National Land Code 1965 or on the creation of a Land Administrator's right of way; and (b) subject to the implied condition that the land is liable to be re-entered if it is abandoned for more than three years shall revert to the state only if the proprietor for the time being dies without heirs; and the title shall confer the absolute right to all forest produce and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land). / Nil	Nil	Charge in favour of Public Bank Berhad vide presentation no. 0799SC2016013847 registered on 18 May 2016	31,772 / 6,734.98 square feet	Freehold / -	29.3.2012	Freehold land is RM14.636 million Building is RM2.374 million

ANNEXURE B: MATERIAL REAL PROPERTIES

Title / Postal address	Registered owner / Beneficial owner	Description / Existing use	Express conditions / Category of land use	Restrictions in interests	Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure / Date of expiry of lease	Date of issuance of CF/CCC	NBV as at FYE 2019 (RM)
H.S.(D) 116127, PT 13903, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan / No.145, Jalan Radin Bagus, Seri Petaling, 57000 Kuala Lumpur	OESC	3-storey terrace shop office / Ambulatory care centre on the Ground Floor (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (iii) of Annexure A of this Prospectus) and office on the 1st and 2nd floor	Commercial buildings / Buildings	Nil	Charge in favour of Public Bank Berhad vide presentation no. PDSC48850/2018, registered on 26 December 2018	223 square metres / 7,360 square feet	Leasehold / 26.4.2108	20.8.2010	Leasehold building is RM3.369 million

The real properties owned by our Company above have not breached any of the land use conditions/permissible land use; and where buildings are involved, we are in compliance with applicable laws, rules and building regulations.

ANNEXURE B: MATERIAL REAL PROPERTIES

B2: Material Properties Rented by Our Group

The material properties rented/leased by our Group as at the LPD are as follows:

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
OESC Ipoh	Modal Saujana Sdn Bhd	No. 1, Jalan Dato Khong Kam Tak, Off Jalan Tambun, 31400 Ipoh, Perak / Geran 135796, Lot 16285S, Bandar Ipoh (S), Daerah Kinta, Negeri Perak	Ground Floor of 2-storey healthcare centre / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (i) of Annexure A of this Prospectus)	3 years commencing from 1 December 2019 and expiring on 30 November 2022	1,794 square metres / 3,985 square feet	18.5.2015	RM144,000.00
OESC	Modal Saujana Sdn Bhd	No. 17, Jalan Bayu Tinggi 7, 41200 Klang, Selangor / Geran 105313, Lot 84255, Pekan Pandamaran, Daerah Klang, Negeri Selangor	3-storey terrace shop office / Eye specialist centre on the ground floor and storage on the 1st and 2nd floor (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (iii) of Annexure A of this Prospectus)	3 years commencing from 1 December 2019 and expiring on 30 November 2022	130 square metres / 3,917 square feet	1.2.2008	RM96,000.00

ANNEXURE B: MATERIAL REAL PROPERTIES

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
OESC	Kwa Tek, Kwa Pei Yeen and Kwa Wee Shiong	Ground Floor, No. 19, Jalan Bayu Tinggi 7, 41200 Klang, Selangor / Geran 105312, Lot 84254, Pekan Pandamaran, Daerah Klang, Negeri Selangor	Ground floor of 3-storey terrace shop office / Eye specialist centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (iii) of Annexure A of this Prospectus)	5 years commencing from 1 September 2017 and expiring on 31 August 2022	130 square metres / 1,119 square feet	1.2.2008	RM33,600.00
OESC Shah Alam	Kumar A/L Sinnapan and Kajandaran A/L Ramasamy	50-G, Blok 3, Jalan Pahat G, 15/G, Dataran Otomobil, Seksyen 15, 40200 Shah Alam, Selangor / PN 64700, Lot 254 Seksyen 15, Bandar Shah Alam, Daerah Petaling, Negeri Selangor (master title)	Ground floor of 4-storey terrace shop office / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (v) of Annexure A of this Prospectus)	3 years commencing from 1 August 2018 and expiring on 31 July 2021	Please refer to Note (3) / 1,530 square feet	23.12.2009	RM74,400.00
OESC Shah Alam	Palaniamah A/P Ramasamy and Partheeban A/L Karrupiah	52-G, Blok 3, Jalan Pahat G, 15/G, Dataran Otomobil, Seksyen 15, 40200 Shah Alam, Selangor / PN 64700, Lot 254 Seksyen 15, Bandar Shah Alam, Daerah Petaling, Negeri Selangor (master title)	Ground floor of 4-storey terrace shop office / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (v) of Annexure A of this Prospectus)	3 years commencing from 1 August 2018 expiring on 31 July 2021	Please refer to Note (3) / 1,530 square feet	23.12.2009	RM74,400.00

ANNEXURE B: MATERIAL REAL PROPERTIES

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
OESC Bandar Sunway	Ralco Properties Sdn Bhd	Ground Floor, No. 11, Jalan PJS 11/28B, Bandar Sunway, 46150 Petaling Jaya, Selangor / H.S. (M) 9312, PT 17185, Mukim Damansara, Daerah Petaling, Negeri Selangor and H.S.(M) 9313, PT 17186, Mukim Damansara, Daerah Petaling, Negeri Selangor	Ground floor of 4-storey corner terrace shop office / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (vi) of Annexure A of this Prospectus)	3 years commencing from 1 August 2020 and expiring on 31 July 2023	352 square metres / 2,436 square feet	18.1.1996	RM144,000.00
OESC	Pelaburan Hartanah Nasional Berhad (as manager of Amanah Harta Tanah PNB)	Unit 2-2-1, Bangunan AHP, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur / H.S. (D) 4928, Lot 29508, Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur	Part of the ground floor of 4-storey commercial building / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (vii) of Annexure A of this Prospectus)	3 years commencing from 15 August 2018 and expiring on 14 August 2021	Please refer to Note (4) / 8,740 square feet	21.2.2001	RM495,558.00
		Bangunan AHP, Jalan Tun Mohd Fuad 3, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	Rental of external signage	1 year commencing from 1 March 2020 and expiring on 28 February 2021	Signage 1: 68 feet x 21 feet Signage 2: 26 feet x 33 feet	21.2.2001	RM26,400.00

ANNEXURE B: MATERIAL REAL PROPERTIES

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
OESC Seremban	Modal Saujana Sdn Bhd	No. 141, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan / Geran 226738, Lot 23862, Bandar Seremban, Daerah Seremban, Negeri Sembilan [(1)]	3-storey mid terraced shop/offices / Eye specialist centre[(2)]	3 years commencing from 1 December 2019 and expiring on 30 November 2022	148 square metres / 4,239 square feet	6.11.2007	RM66,132.00
OESC Seremban	Modal Saujana Sdn Bhd	No. 142, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan / Geran 226739, Lot 23861, Bandar Seremban, Daerah Seremban, Negeri Sembilan [(1)]	3-storey end terraced shop/offices / Eye specialist centre[(2)]	3 years commencing from 1 December 2019 and expiring on 30 November 2022	333 square metres / 8,464 square feet	6.11.2007	RM132,036.00
OESC Segamat	Itmax System Sdn Bhd	49B & 49C, Jalan Genuang, 85000 Segamat, Johor / H.S. (D) 52134, PTD 22776, Mukim Sungai Segamat, Daerah Segamat, Negeri Johor and H.S. (D) 52135, PTD 22777, Mukim Sungai Segamat, Daerah Segamat, Negeri Johor	2 contiguous ground floor shops within 2 units of 3-storey terrace shop office / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (x) of Annexure A of this Prospectus)	2 years commencing from 2 May 2020 and expiring on 1 May 2022	304 square metres / 2,640 square feet	3.10.2016	RM108,000.00

ANNEXURE B: MATERIAL REAL PROPERTIES

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
OESC Muar	Tiam Lock Enterprise Sdn Bhd	Ground Floor & Mezzanine Floor, No. 1-5 & 1-6, Jalan Ismail, 84000 Muar, Johor / H.S. (D) 15705, PTB 9357, Bandar Maharani, Daerah Muar, Negeri Johor and H.S. (D) 15704, PTB 9356, Bandar Maharani, Daerah Muar, Negeri Johor	2 contiguous ground floor shops within 2 units of 3-storey terrace shop office / Ambulatory care centre (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (ix) of Annexure A of this Prospectus)	3 years commencing from 15 February 2018 and expiring on 14 February 2021	382.748 square metres / 3,268 square feet	15.4.1994	RM45,600.00
OESC Kluang	Itmax System Sdn Bhd	43 & 44, Jalan Haji Manan, 86000 Kluang, Johor / H.S.(D) 75113, PTB 12021, Bandar Kluang, Daerah Kluang, Negeri Johor and H.S. (D) 75114, PTB 12022, Bandar Kluang, Daerah Kluang, Negeri Johor	2 adjoining units of 3-storey terrace shop / Ambulatory care centre on the ground floor (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (viii) of Annexure A of this Prospectus) and storage on the 1st and 2nd floor	2 years commencing from 15 May 2020 and expiring on 14 May 2022	249.107 square metres / 6,516 square feet	4.4.2016	RM144,000.00

ANNEXURE B: MATERIAL REAL PROPERTIES

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
Inspirasi Alamjaya	Datin Lim Sho Hoo	53, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor / Geran 312681, Lot 46625, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor	3-storey terrace shop office / Ambulatory care centre on the ground floor (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (xi) of Annexure A of this Prospectus) and storage on the 1st and 2nd floor	3 years commencing from 1 November 2019 and expiring on 31 October 2022	201 square metres / 5,355 square feet	5.12.2013	RM96,000.00
Inspirasi Alamjaya	Tan Boon Hock Holdings Sdn Bhd	55, Jalan Cantik 6, Taman Pelangi Indah, 81800 Ulu Tiram, Johor / Geran 312684, Lot 46626, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor	3-storey terrace shop office / Ambulatory care centre on the ground floor (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (xi) of Annexure A of this Prospectus) and storage on the 1st and 2nd floor	3 years commencing from 1 November 2019 and expiring on 31 October 2022	201 square metres / 5,355 square feet	5.12.2013	RM96,000.00

ANNEXURE B: MATERIAL REAL PROPERTIES

Company (Tenant)	Landlord	Location / Postal address	Description / Existing use	Tenure of tenancy	Land area / Built-up area (approximate)	Date of issuance of CF/CCC	Rental payable per annum (RM)
OESC Kuching	Emineo Jasa Sdn Bhd	Ground Floor, No. 59 & 61, Jalan Tun Jugah, Kuching, Sarawak / Lot 10206, Section 64, Kuching Town Land District, Locality of Jalan Tun Jugah, Kuching and Lot 10207, Section 64, Kuching Town Land District, Locality of Jalan Tun Jugah, Kuching	Ground floor of 2 sub-lots including lower ground floor of a sub-lot of 4 ½-storey shophouse / Parking on lower ground floor and ambulatory care centre on the ground floor (MOH has granted a licence approving such premise to be used as a private ambulatory care centre, further details are set out in paragraph (xii) of Annexure A of this Prospectus)	2 years commencing from 1 September 2020 and expiring on 31 August 2022	228 square metres / 1,815 square feet	18.4.2006	RM98,400.00

Note:

(1) Being the Seremban Buildings to be acquired by OESC pursuant to the Seremban Buildings SPA. As at the LPD, Seremban Buildings SPA has yet to be completed. OESC Seremban has entered into tenancy agreement with Modal Saujana Sdn Bhd to rent the Seremban Buildings pending the completion of the Seremban Buildings SPA.

(2) We are currently renovating these properties as part of our efforts to convert our eye specialist centre in Seremban from a specialist clinic to a private ambulatory care centre. As at the LPD, this eye specialist clinic is still in operation, but only provides consultation and dispensary services, and eye examinations.

(3) As at the LPD, the strata / individual title to the property has not been issued by the relevant authority. As such, the land area for the property is not available.

There is no breach of any land use conditions/permissible land use and/or non-compliance with any applicable laws, rules and building regulations which may materially affect our Company's operations and utilisation of our assets in respect of the above material properties rented/leased by our Company.

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ANNEXURE C: MATERIAL REGULATORY REQUIREMENTS

We are in a highly regulated industry. There are guidelines, regulations and laws governing our business operations. The following is an overview of the regulatory requirements governing our Group which are material to our business operation:

1. PHFSA 1998

The PHFSA 1998 and its relevant regulations, including the Private Hospitals and Other Private Healthcare Facilities Regulations 2006 and Private Medical Clinics or Private Dental Clinics Regulations 2006 are the principal legislations governing the private healthcare facilities and services in Malaysia.

No person shall establish or maintain a private hospital, private psychiatric hospital, private ambulatory care centre, private nursing home, private psychiatric nursing home, private maternity home, private blood bank, private haemodialysis centre, private hospice, private community mental health centre and any other private healthcare facility or service or health-related service as the Minister of Health of Malaysia may specify, from time to time, by notification in the Gazette, without approval or licence being granted by the Director General of Health of Malaysia ("**DGHM**").

Any person who establishes, maintains, operates or provides a private medical clinic must be registered under the PHFSA 1998. However, such private medical clinic duly registered under the PHFSA 1998 is not expressly authorised under the provisions of the PHFSA 1998 to carry out medical procedures which constitute surgeries.

A person who provides private healthcare facilities or services without approval or licence from the DGHM commits an offence as prescribed under the PHFSA 1998.

For the purpose of the PHFSA 1998 –

(a) the term "private ambulatory care centre" refers to any premises, other than a government ambulatory care centre, private medical clinic or private dental clinic, primarily used or intended to be used for the purpose of performing any procedure related to the practice of medicine in any of its disciplines or any dental procedure and with continuous relevant private healthcare services, including nursing services whenever a patient is in the premises, and in which healthcare, beds or other accommodation for the stay of any one patient for a period of not more than 23 hours is provided and from which patients are either discharged in an ambulatory condition without requiring constant or continuous care or supervision and without danger to the continued well-being of the patient or transferred to a hospital;

(b) the term "private medical clinic" means any premises, other than a Government healthcare facility, used or intended to be used for the practice of medicine on an outpatient basis including –

   (i) the screening, diagnosis or treatment of any person suffering from, or believed to be suffering from, any disease, injury or disability of mind or body;

   (ii) preventive or promotive healthcare services; and

   (iii) the curing or alleviating of any abnormal condition of the human body by the application of any apparatus, equipment, instrument or device; and

(c) the term "private hospital" means any premises, other than a Government hospital or institution, used or intended to be used for the reception, lodging, treatment and care of persons who require medical treatment or suffer from any disease or who require dental treatment that requires hospitalization.

2. Medical Act 1971 ("MA 1971")

The MA 1971 sets out provisions in respect of registration and practice of medical practitioners and for national purposes to provide for certain provisions with regard to a period of service in the public services after full registration as a medical practitioner.

Any fully registered person who desires to practise as a medical practitioner after 31 December of any year shall, not later than 1 December of that year, make an application in the prescribed form and shall pay the prescribed fee for a certificate of practise as a medical practitioner during the ensuing year. Upon such application and payment, the Registrar of Medical Practitioners ("**Registrar**") shall issue a certificate (to be styled "annual practising certificate" or "**APC**") authorising the applicant to practise as a medical practitioner during the year for which the certificate is issued.

It is further stated that any fully registered person who fails to apply for an APC in the manner and within the period mentioned above, may, on making an application in such form and on payment of such additional fee as may be prescribed, be granted an APC for the ensuing year, if the application is made during the month of December of any year, or for the remainder of the year, if the application is made on or after 1 January of any year. An additional fee for late application will be charged pursuant to second schedule of the Medical Regulations 2017 issued under the MA 1971.

An APC and an application therefor shall specify the address of the principal place of practice and all other places of practice of the applicant, and any change in any such address shall be notified by the practitioner to the Registrar and an endorsement of such change on the APC obtained from the Registrar within 30 days of such change.

As at the LPD, our ophthalmologists hold and maintain valid APC issued by the Registrar.

3. Optical Act 1991 ("OA 1991")

The OA 1991 sets out provisions in respect of the registration of persons practising as opticians and optometrists, to control the practice of optometry.

A registered person who intends to practise as an optometrist after 31 December of any year shall, not later than 1 December of that year, make an application in the prescribed form and pay the prescribed fee for a certificate of practise as an optometrist during the following year. Upon receipt of the application and payment, the DGHM shall issue to the applicant an APC authorising the applicant to practise as an optometrist during the year for which the certificate is issued.

A registered person who fails to apply for an APC in the manner and within the period mentioned above, may, upon making an application in such form and on payment for such additional fee as may be prescribed, be granted an APC for the following year, if the application is made during the month of December of any year, or for the remainder of the year, if the application is made on or after 1 January of any year. An additional late fee of RM25.00 will be charged pursuant to Regulation 22 of the Optical Regulations 1994 issued under the OA 1991.

An APC and an application for APC shall contain the address of the principal place of practice and all other places of practice of the applicant, and any change in such address shall be notified by the registered person to the DGHM and an endorsement of such change on the APC shall be obtained from the DGHM within 30 days of such change.

As at the LPD, our optometrists hold and maintain valid APC issued by the DGHM.

4. Medicines (Advertisement and Sale) Act 1956 ("MASA 1956")

MASA 1956 and its relevant regulations and guidelines including the Medicine Advertisements Board Regulations 1976 and Medicine Advertising Guidelines for Healthcare Facilities and Services regulate the advertisement and dissemination of information in relation to healthcare matters to the general public. Pursuant to the MASA 1956, the term "advertisement" includes any notice, circular, report, commentary, pamphlet, label, wrapper or other document, and any announcement made orally or by any means of producing or transmitting light or sound.

No person shall take part in the publication of any advertisement which refers to any skill or service relating to the treatment, prevention or diagnosis of any ailment, disease, injury, infirmity or condition affecting the human body and which is capable of including, or which contains an invitation, whether express or implied, to, any person to seek advice of the advertiser or any person referred to in the advertisement in connection with such skill or service, unless:

(a) with the approval of the Minister, by any professional body related to the medical profession or to any other allied profession which is established by or registered under any written law; or

(b) with the approval of the Medicine Advertisements Board, by any private hospital or by any private clinic, private radiological clinic, or private medical laboratory operated by a registered medical practitioner having a valid annual practising certificate under the Medical Act 1971.

The Medicine Advertising Guidelines for Healthcare Facilities and Services further provides that:

(a) The information provided in the advertisements must be factually accurate and capable of being substantiated and must not be exaggerated, false, misleading or deceptive and the authenticity.

(b) The accuracy of the information imparted in the advertisements should be verifiable by the Medicine Advertisements Board and the public should not be misled into drawing inaccurate impressions of the ability or services offered by the healthcare facility.

5. Environmental Quality Act 1974 ("EQA 1974")

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment.

It is an offence under EQA 1974 for any person, unless licensed to do so, to amongst others:

(i) emit or discharge wastes into the atmosphere;

(ii) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;

(iii) pollute or cause or permit to be polluted any soil or surface of any land; or

(iv) emit, discharge or deposit any wastes into any inland waters,

in contravention of the acceptable conditions specified in EQA 1974.

The EQA 1974 also empowers the Minister charged with the responsibility for environment protection to make regulations specifying acceptable conditions for the emission, discharge or deposit of environmentally hazardous wastes or the emission of noise into the environment. Among the regulations which have been issued includes the Environmental Quality (Scheduled Wastes) Regulations 2005 ("**Regulations 2005**").

ANNEXURE C: MATERIAL REGULATORY REQUIREMENTS

Pursuant to the Regulations 2005, clinical waste is classified as scheduled wastes which includes the following:

(i) Discarded drugs containing psychotropic substances or containing substances that are toxic, harmful, carcinogenic, mutagenic or teratogenic.

(ii) Pathogenic and clinical wastes and quarantined materials.

(iii) A mixture of scheduled wastes.

(iv) A mixture of scheduled and non-scheduled wastes.

The Regulations 2005 amongst others has specified the following requirements:

(i) Any person who generates scheduled wastes ("**Waste Generators**") shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of Environmental Quality ("**DGEQ**") of the new categories and quantities of scheduled wastes which are generated.

(ii) Scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, before disposal, be rendered innocuous.

(iii) Scheduled wastes shall be treated at prescribed premises or at on-site treatment facilities only and the residuals from treatment of scheduled wastes shall be treated and disposed of at prescribed premises.

(iv) Any Waste Generators may apply to the DGEQ in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises or on-site treatment or recovery facilities. If the DGEQ is satisfied with the application made, the DGEQ may grant a written approval either with or without conditions.

(v) Any Waste Generators shall keep an accurate and up-to-date inventory of scheduled waste generated, treated and disposed of in accordance with the fifth schedule of the Regulations 2005 and of materials or product recovered from such scheduled wastes for a period up to three (3) years from the date of the scheduled wastes was generated.

Our Group has appointed licensed service providers to carry out waste collection, transportation, disposal, treatment and waste management related services at our specialist hospital, ambulatory care centres and specialist clinics.

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Optimax Holdings Berhad

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

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

Optimax Holdings Berhad

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

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

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

* *Denotes RM1*

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

Optimax Holdings Berhad

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

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

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

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

Optimax Holdings Berhad

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

Unaudited condensed combined statement of changes in equity for the first quarter ended 31 March 2020

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

** Denotes RM1*

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

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

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

Optimax Holdings Berhad

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

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

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

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

(i) Cash and cash equivalents

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

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

(ii) Acquisition of property, plant and equipment

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

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

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

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

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

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

	Unaudited			
	At 1.1.2019 RM'000	**Payments RM'000**	**Acquisition of new lease RM'000**	**At 31.3.2019 RM'000**
Term loans	13,202	(236)	-	12,966
Hire purchase liabilities	5,463	(340)	918	6,041
Lease liabilities	7,117	(354)	161	6,924
	25,782	(930)	1,079	25,931

	Unaudited			
	At 1.1.2020 RM'000	**Payments RM'000**	**Acquisition of new lease RM'000**	**At 31.3.2020 RM'000**
Term loans	12,423	(136)	-	12,287
Hire purchase liabilities	5,976	(503)	1,668	7,141
Lease liabilities	8,608	(428)	-	8,180
	27,007	(1,067)	1,668	27,608

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

Optimax Holdings Berhad

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

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

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

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

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

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

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

The ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cash flows. In the opinion of the Directors, the Group is able to continue as a going concern despite its net current liabilities position as the Directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date this condensed combined interim financial report was approved and to enable it to meet its financial obligations as and when they fall due. In addition, the Group has sufficient unutilised banking facilities available for future use should the need arise.

A2. Significant accounting policies

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

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

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

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

A3. Auditors' report

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

A4. Seasonal or cyclical factors

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

A5. Exceptional items

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

A6. Material changes in accounting estimates

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

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

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

A8. Changes in the composition of the Group

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

A9. Capital commitments

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

	Unaudited As at 31 March 2020 RM'000	Audited As at 31 December 2019 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Authorised and contracted for	4,824	5,644

A10. Debt and equity securities

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

A11. Dividends paid

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

A12. Operating segments

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

Geographical segments

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

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

A13. Valuations of property, plant and equipment

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

A14. Contingencies

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

A15. Related party transactions

Identity of related parties

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

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

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

Significant related party transactions

Significant related party transactions of the Group are as follows:

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

A16. Fair value information

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

The table below analyses other financial instruments at fair value.

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

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Non-derivatives financial liabilities

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

A16. Fair value information (continued)

Transfer between Level 1 and Level 2 fair values

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

Level 3 fair value

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

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

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

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

B1. Financial performance

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

<u>Review for the current financial quarter and financial year-to-date</u>

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

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

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

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

Note:

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

B1. Financial performance (continued)

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

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

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

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

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

B1. Financial performance (continued)

(b) Highlight on condensed combined Statement of Financial Position

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

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

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

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

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

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

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

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

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

B2. Variation of results against preceding quarter

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

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

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

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

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

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

B3. Commentary on prospects

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

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

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

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

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

B3. Commentary on prospects (continued)

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

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

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

B4. Profit forecast

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

B5. Tax expense

Tax expense comprises the following:

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

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

B6. Status of corporate proposals announced

Pre-IPO Exercise

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

IPO

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

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

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

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

The IPO and Listing are pending completion.

B7. Loans and borrowings

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

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

B7.1 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

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

B8. Material litigation

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

B9. Dividends

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

B10. Earnings per ordinary share

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

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

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

B11. Trade and other receivables

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

B11. Trade and other receivables (continued)

(a) Ageing analysis of trade receivables

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

B12. Profit before tax

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

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

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

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

B13. Utilisation of proceeds

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

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

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