



ISEC Healthcare Ltd.

(“ISEC Healthcare” or the “Company”)

7th Annual General Meeting
21th April 2021



**STAYING
FOCUSED**



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Business Overview

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Our Presence



Number of Eye Care Centres (as at 21st April 2021):

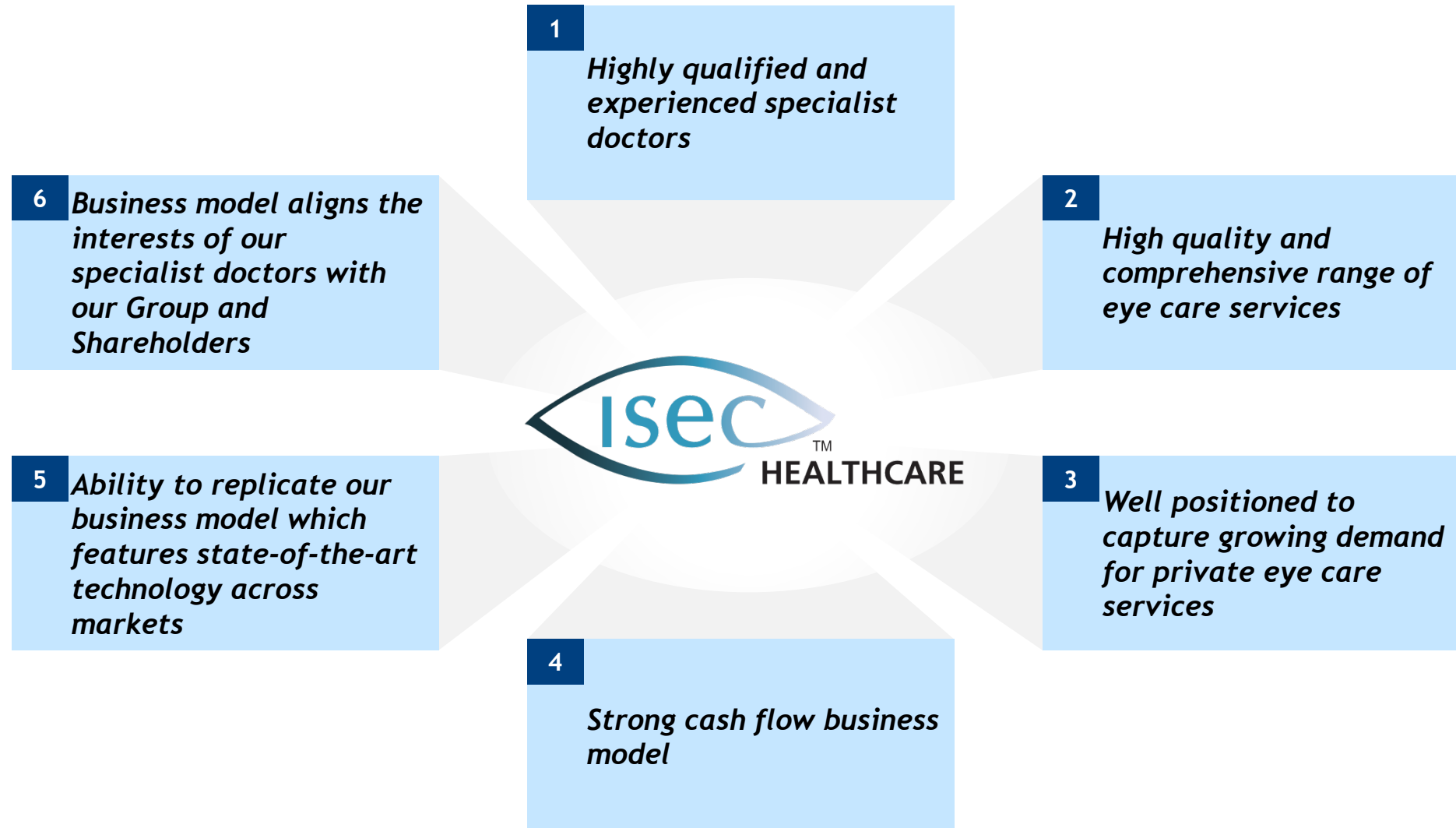
Malaysia - 5
Singapore - 1 *
Myanmar - 1

* Asia Pacific Eye Centre in Gleneagles Hospital. An eye-screening clinic within one of our GP clinic premises in Yew Tee was set up in early 2021.



Business Overview

Our Competitive Strengths





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Financial Highlights

Financial Highlights

Consolidated Statement of Comprehensive Income



S\$'000	2020	2019	% Change
Revenue	36,327	42,872	-15%
Cost of sales	(20,270)	(22,823)	-11%
Gross profit ("GP") / GP margin (%)	16,057 / 44.2%	20,049 / 46.8%	-20%
Other income	1,325	702	89%
Selling and distribution expenses	(41)	(60)	-32%
Administrative expenses	(8,345)	(8,677)	-4%
Other expenses	(2,048) ^(N1)	(1,818) ^(N1)	-13%
Finance costs	(424)	(257)	65%
Share of results of associate	(18)	(34)	-47%
Profit before income tax ("PBT") / PBT margin (%)	6,506 / 17.9%	9,905 / 23.1%	-34%
Income tax expense	(2,055)	(2,656)	-23%
Profit for the year ("PAT") / PAT margin (%)	4,451 / 12.3%	7,249 / 16.9%	-39%

N1 - The Group recognised impairment loss for goodwill arising from operations in general health services segment, amounting to S\$1.5 million (FY2019: S\$1.2 million).

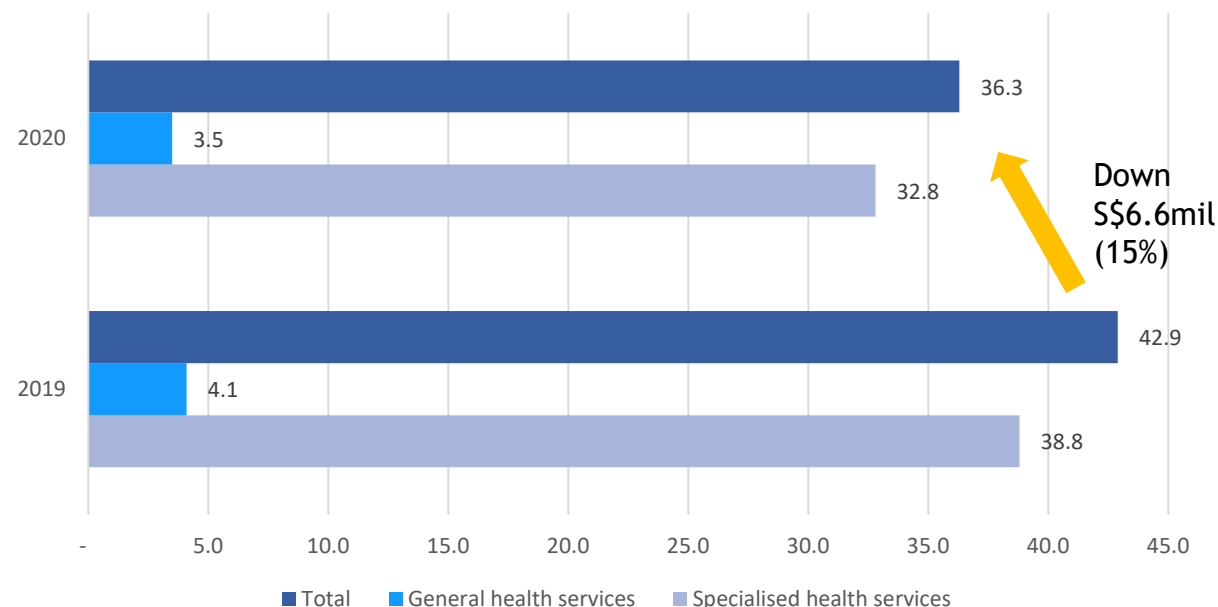
Financial Highlights

Revenue Breakdown - By Business Segment



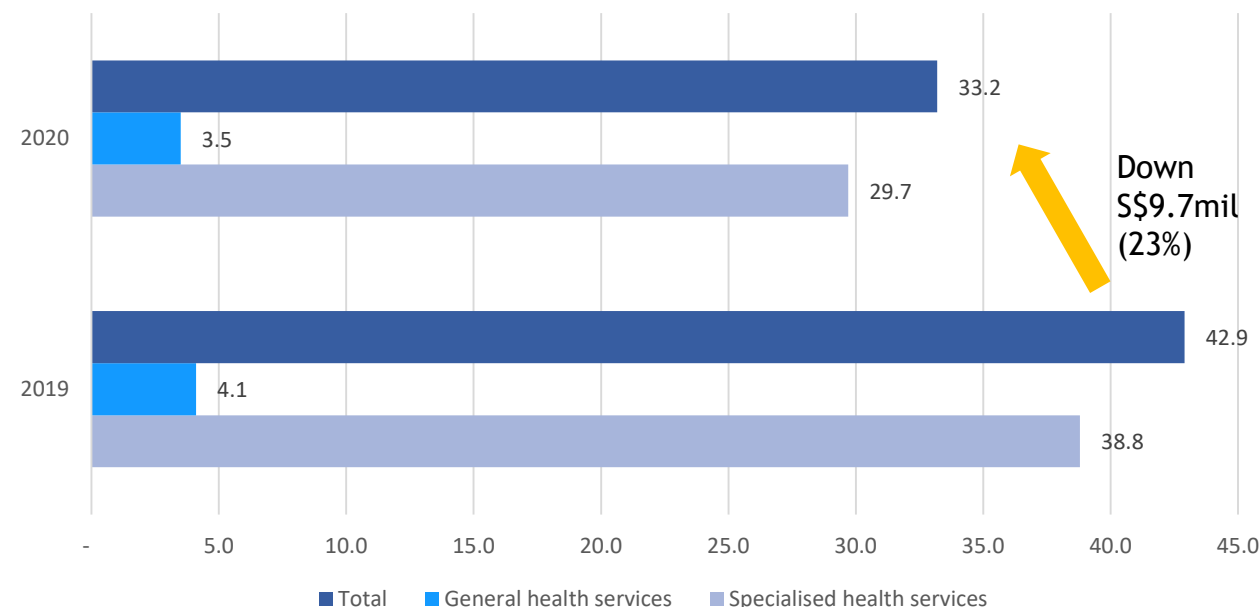
Include Indah Specialist

S\$'Million



Exclude Indah Specialist

S\$'Million



FY2020 vs FY2019: Overall, the Group's business activities and revenue were generally adversely affected by the outbreak of COVID-19 in FY2020, with restricted movement control measures introduced by the respective countries. Excluding S\$3.1 million contribution from Indah Specialist, for which acquisition was completed on 27 February 2021, the Group's FY2020 sales showed a decrease of S\$9.7 million, or 23%, compared to that of FY2019.

Specialist Health Services: Revenue reduced by S\$6.0 million, or 15% compared to that in FY2019. Other than the reasons as mentioned above, in Singapore, non-essential eye consultations and procedures were not allowed to be performed during 7 April 2020 to 1 June 2020 of the Circuit Breaker period.

General Health Services: Revenue reduced by S\$0.6 million, or 15% compared to that in FY2019 with the adverse impact from COVID-19 outbreak.

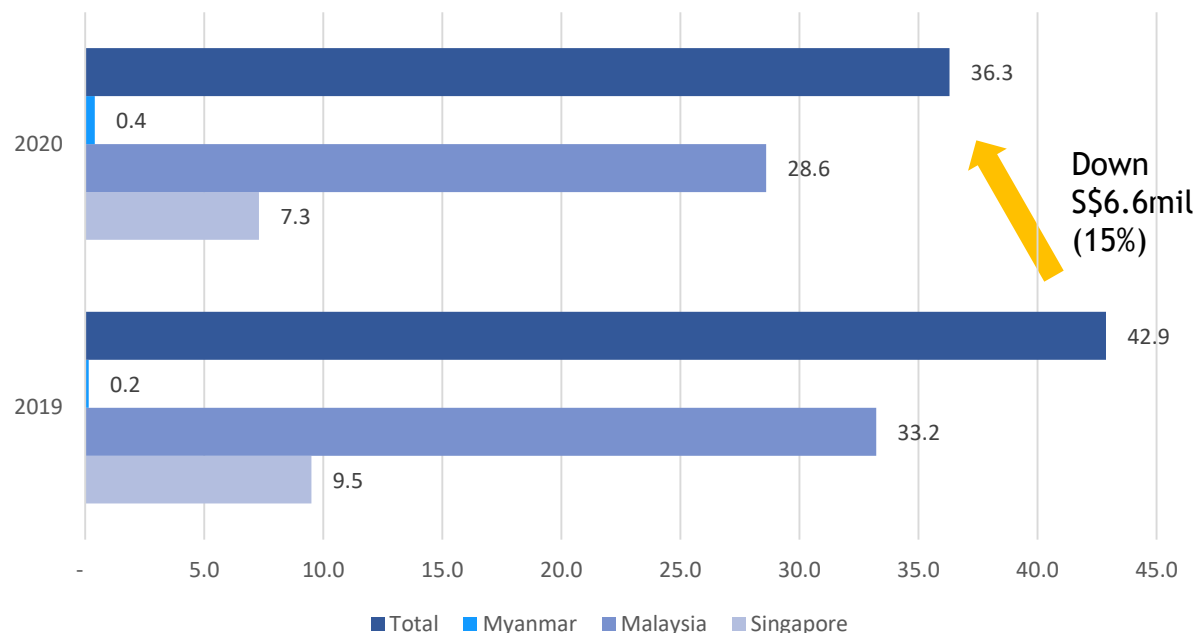
Financial Highlights

Revenue Breakdown - By Geographical Segment



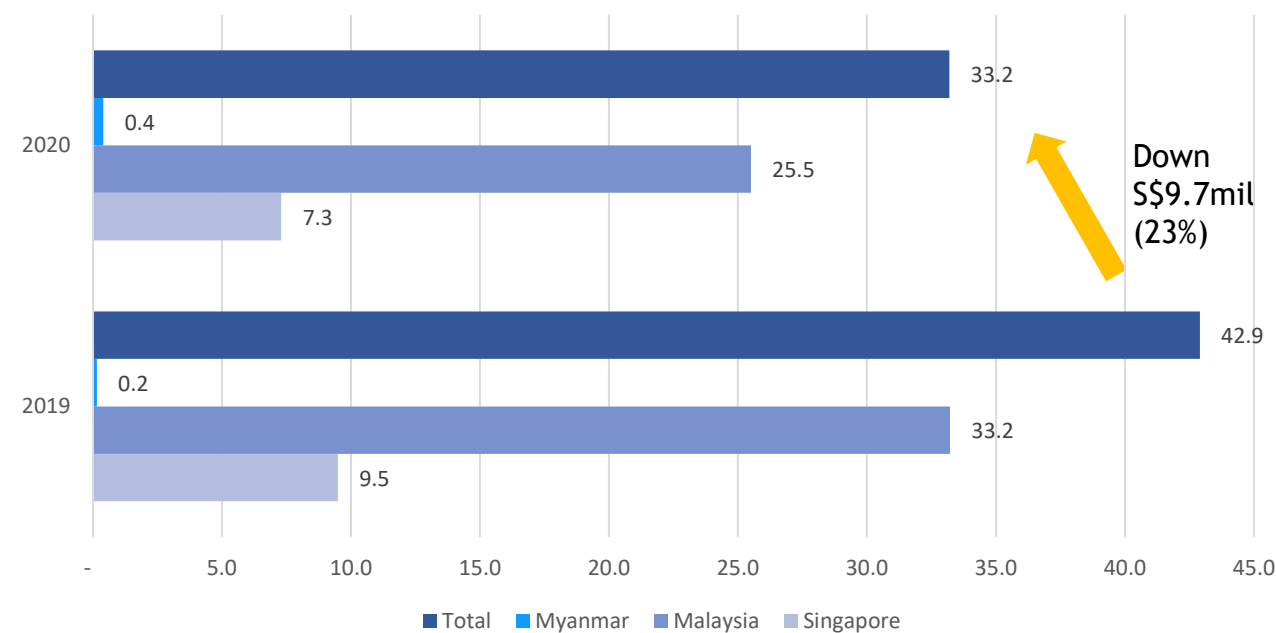
Include Indah Specialist

S\$'Million



Exclude Indah Specialist

S\$'Million



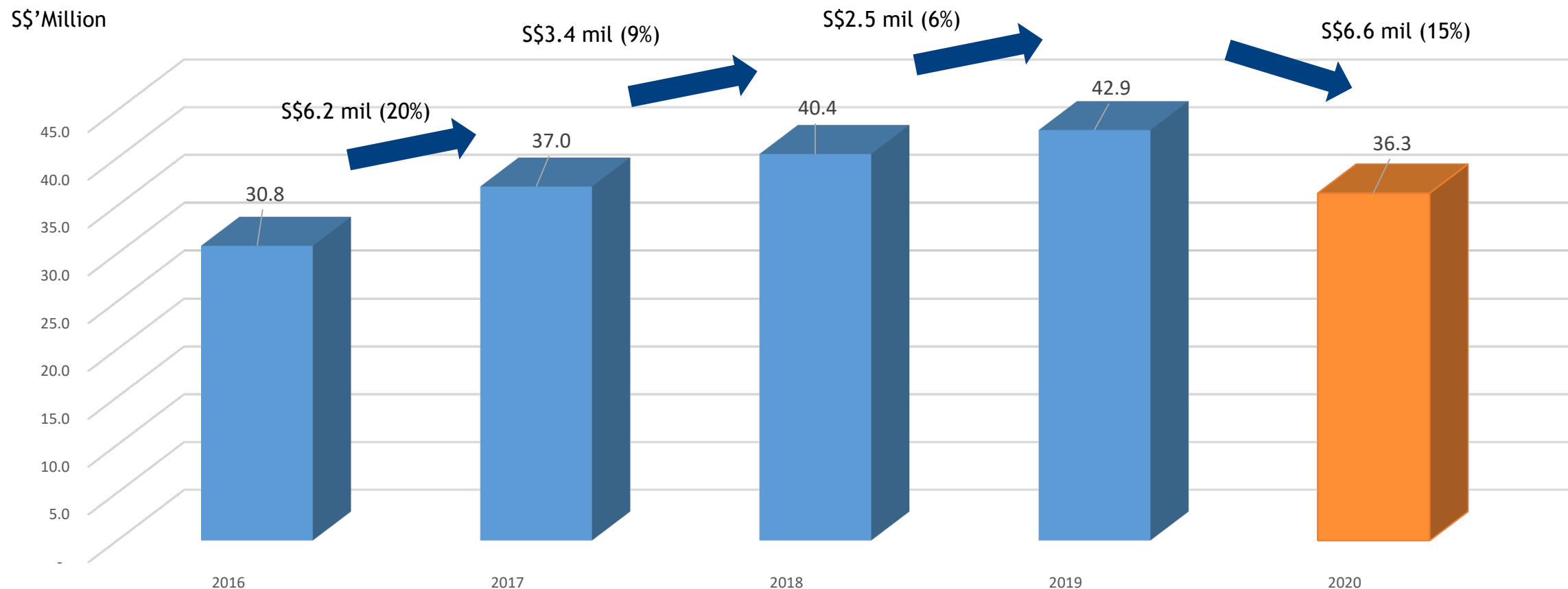
Singapore: Revenue reduced by S\$2.2 million, or 23% compared to that in FY2019. Patient visits decreased significantly during Circuit Breaker period in April and May 2020. Patient visits improved gradually as the country systematically eased safe management measures. Singapore entered into Phase 3 on 28 December 2020, during which foreign patients are still prohibited from entering the country to seek healthcare treatment.

Malaysia: Revenue reduced by S\$4.6 million, or 14% compared to that in FY2019. The enforcement of Movement Control Order (“MCO”) and subsequent Recovery MCO (“RMCO”) led to the slowing of business activities with various travel restrictions and safe distancing measures imposed, as well as the entry restrictions imposed on foreign patients seeking healthcare treatment in Malaysia.

Myanmar: Revenue increased by S\$0.2 million compared to that in FY2019. Operations commenced in second quarter ended 30 June 2019, and certain treatments and procedures were only allowed to be carried out after officially attaining business license from the Ministry of Health and Sports in Myanmar near end 2019.

Financial Highlights

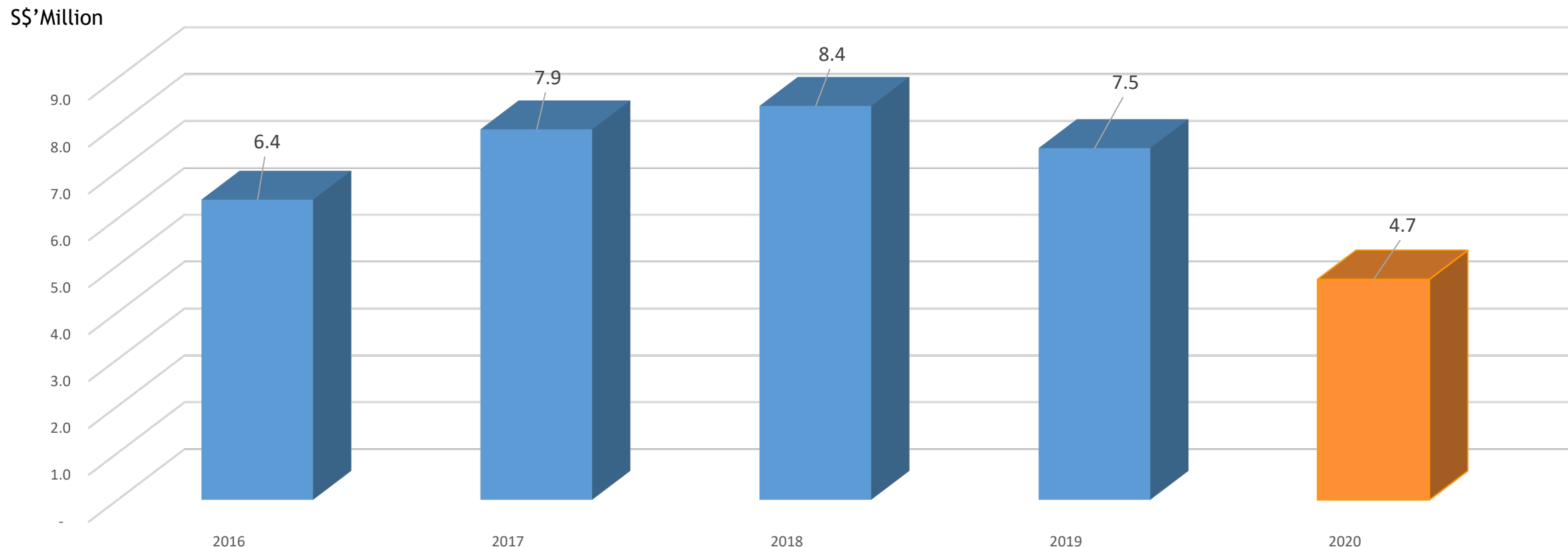
Revenue - 5 Years (2016 - 2020)



The Group revenue had been increasing between 6% and 20% year-on-year from FY2016 to FY2019, except for FY2020, when revenue decreased by 15%, due to reasons explained above.

Financial Highlights

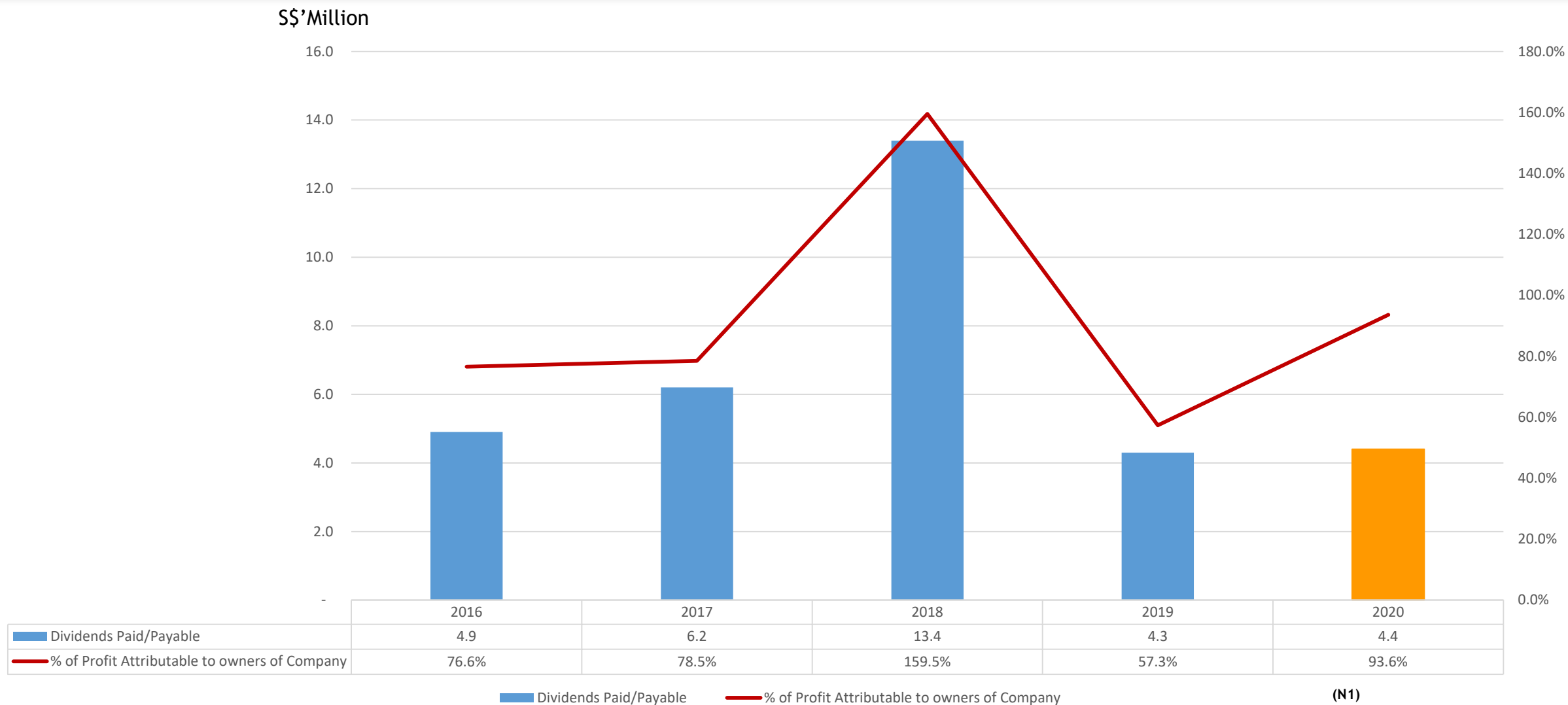
Profit attributable to owners of Company - 5 Years (2016 - 2020)



In both FY2020 and FY2019, the Group recognised impairment loss for goodwill arising from operations in general health services segment, amounting to S\$1.5 million and S\$1.2 million respectively.

Financial Highlights

Dividends



N1 - Include final dividend of 0.80 Singapore Cents proposed but not yet approved by the shareholders; to be approved in the AGM on 21 April 2021.



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Corporate Developments

1) 27 February 2020 - Completion of Acquisition of the Entire Issued and Paid-up Share Capital of Indah Specialist Eye Centre Sdn. Bhd. (“Indah Specialist”)

Summary of the acquisition

- Aggregate consideration of RM37,360,000 (“Consideration”), approximately a multiple of 13 times of Indah Specialist’s adjusted and normalised profit after tax based on its audited accounts for the period between 1 July 2018 to 30 June 2019.
- The Consideration of RM37,360,000 to be satisfied in the following manner:
 - (a) RM17,932,800 of the Consideration (“Cash Portion”) shall be payable in cash in the following manner:
 - (i) on completion of the Proposed Acquisition (“Completion”), the Company shall pay 60% of the Cash Portion;
 - (ii) within 12 months after the date of Completion, the Company shall pay 30% of the Cash Portion;
 - (iii) within 24 months after the date of Completion, the Company shall pay 10% of the Cash Portion; and
 - (b) RM19,427,200 of the Consideration to be satisfied by way of allotment and issue of an aggregate 17,950,913 new Shares (“Consideration Shares”) to the Vendors on the date of Completion.

1) **27 February 2020** - Completion of Acquisition of the Entire Issued and Paid-up Share Capital of Indah Specialist (Cont'd)

Summary of the acquisition (Cont'd)

- Each of the Vendors has undertaken to the Purchaser not to, during the 5-year period commencing from the date of Completion (“Moratorium Period”), sell, transfer, assign, charge or howsoever deal with 80% of the Consideration Shares issued to each of the Vendors (“Moratorium Shares”), and at the end of every 12-month period (first period commencing from the date of Completion), 20% of the total Moratorium Shares will be released from the moratorium until no more Consideration Shares are subject to such moratorium.

Rationale for the acquisition

- Indah Specialist is expected to provide the Group with a growing stream of recurring income and cash flow in Johor Bahru where the demand for specialised and quality medical eye care services is expected to increase.
- The Group considers partial settlement of the Consideration by way of the allotment and issue of Consideration Shares to be advantageous to the Group given that it would conserve the Group’s cash reserves. In addition, such partial settlement in the form of equity will align the interests of each of Loh Swee Seng (“LSS”), Siow Yun Ching (“SYC”) and Tan Siow Wei (“TSW”) with the Group and is in the long-term interest of the Group.

2) **15 July 2020** - Incorporation of a Joint Venture Company - ISEC (Kuching) Sdn. Bhd.

- ISEC Sdn. Bhd. (“ISEC KL”), a wholly owned subsidiary of the Company, has entered into a joint venture agreement (the “JV Agreement”) with Dr Chua Chung Nen (“Dr Chua”) to incorporate a joint venture company under the proposed name of “ISEC (Kuching) Sdn. Bhd.” (the “JVC”) to establish, operate and administer an ophthalmology centre of excellence in the city of Kuching, State of Sarawak in Malaysia.
- The initial issued share capital of the JVC shall be RM10,000 (equivalent to S\$3,257.1 based on the exchange rate of RM3.07:S\$1) comprising 10,000 ordinary shares, of which RM10,000 comprising 10,000 ordinary shares shall be issued as fully paid-up upon incorporation of the JVC, whilst the remaining RM1,990,000 comprising 1,990,000 ordinary shares shall be issued as unpaid shares which are to be paid-up by the respective shareholders at such times as the directors of the JVC may call upon. ISEC KL will maintain a shareholding of 51% in the JVC throughout the above arrangement.
- Under a moratorium clause in the JV Agreement, subject to conditions as set out in the JV Agreement, in which the shareholders shall not sell, dispose of, transfer or allot to any person (who is not a party to the JV Agreement) for a period of two (2) years from the date of execution of the JV Agreement except that ISEC KL may at any time, sell and/or transfer all or any of its shares in the JVC to its related corporation (as defined in the Companies Act, 2016 of Malaysia), on condition that such transfer is subject to ISEC KL’s guarantee given to the other shareholders, guaranteeing the performance of its transferee related corporation’s (as defined in the Companies Act, 2016 of Malaysia) performance of ISEC Malaysia’s obligations under the JV Agreement.

2) **15 July 2020** - Incorporation of a Joint Venture Company - ISEC (Kuching) Sdn. Bhd. (Cont'd)

- The investment in the JVC will be funded by internal resources. Following the Company's investment in the JVC, the JVC became an indirect subsidiary of the Company.

3) 6 August 2020 - Entering into bank loan by ISEC (Penang) Sdn. Bhd. (“ISEC Penang”), for the purpose of purchase of land and building

- ISEC Penang, a wholly-owned indirect subsidiary of the Company, entered into a 5-year term loan facility to partially finance the acquisition of land and building, with an aggregate cost of RM18,922,000 (equivalent to S\$6,191,000), of which RM13,000,000 (equivalent to S\$4,254,000) was satisfied by the bank loan. The loan bears a floating interest rate of the bank’s Cost of Funds + 0.5% margin per annum and is secured by the land and building for which the loan was entered.
- The remaining balance of RM5,922,000 (equivalent to S\$1,937,000) was satisfied by the Group’s internal cash and was included in purchase of property, plant and equipment.

1) **Early 2021** - Launch of new eye-screening clinic in Singapore's neighbourhood hub

- To further expand its reach in Singapore's neighbourhood hub, in early 2021, the Group had set up an eye-screening clinic within the premises of one of its general practice clinics in Yew Tee to provide eye checks and related services.



Outlook

Coronavirus 2019 (“COVID-19”) Outbreak

- The Group expects the operating environment in the current year ending 31 December 2021 to be challenging. While we are optimistic that our performance will improve along with the expected but careful resumption of travel, business and lifestyle activities globally, we are also mindful that the COVID-19 situation remains fluid all over the world.
- Singapore has begun introducing vaccinations since end January 2021 and the progress for introducing it to the public to be vaccinated has been gradual. With the pandemic largely under control, there remains a possibility of community clusters as the country cautiously opens up its borders to enable economic activity to resume.
- In Malaysia, situation remains unpredictable with the spike in cases seen since December 2020, which had forced the country back into MCO in January 2021 till 4 March 2021. Additionally, the King declared the country’s state of emergency on 12 January 2021, which will last until 1 August 2021 or earlier, depending on the COVID-19 situation. Despite Malaysia has also launched its vaccination plan since end February 2021, the management does not expect all the specialised eye centres in Malaysia to be recovering soon to pre-COVID-19 state.

Political Situation in Myanmar

- The Group is closely monitoring our clinical operations in Myanmar, where the country had declared a state of emergency for a year since 1 February 2021. The political situation remains uncertain and the Group is currently unable to reasonably ascertain the full extent of the probable impact on its financial performance for FY2021.



Thank You