ISEC Healthcare Ltd.

("ISEC Healthcare" or the "Company")

6th Annual General Meeting
24th June 2020

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Table of Content

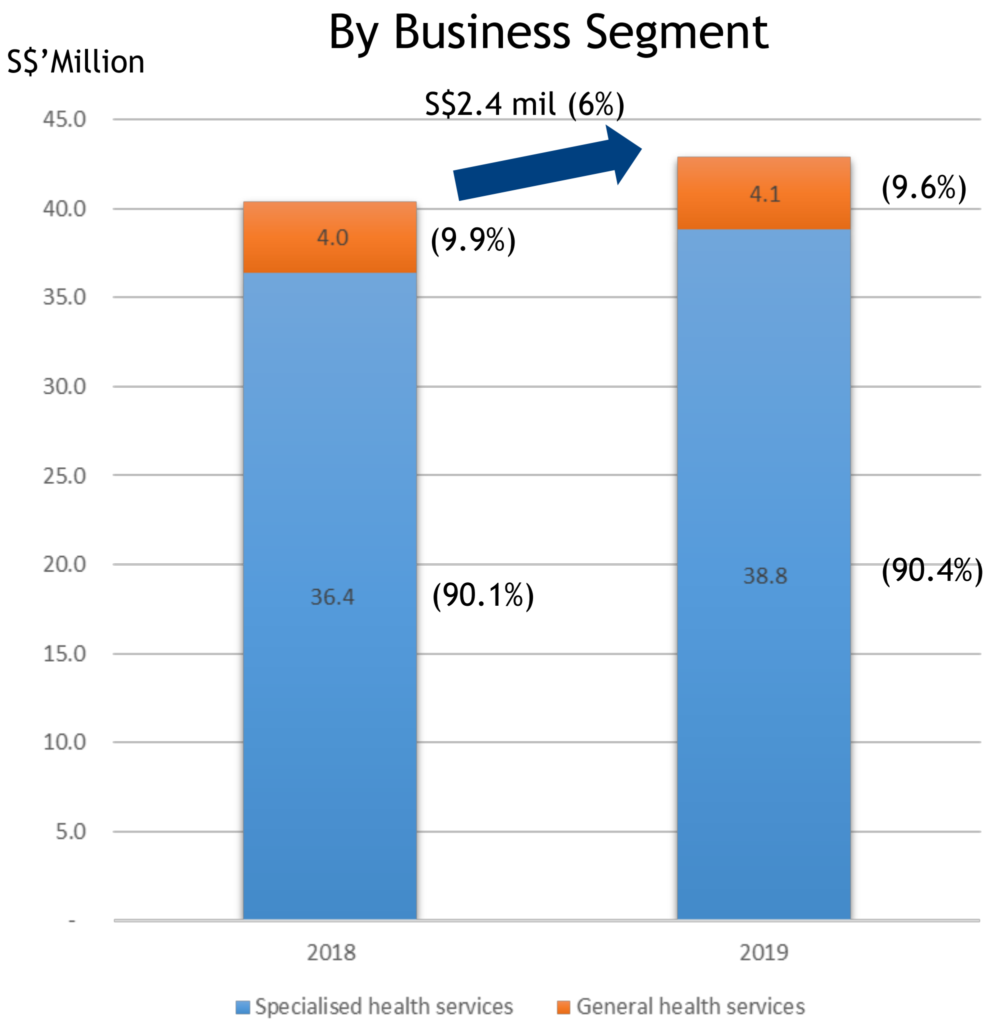
Financial Performance Review of the Group

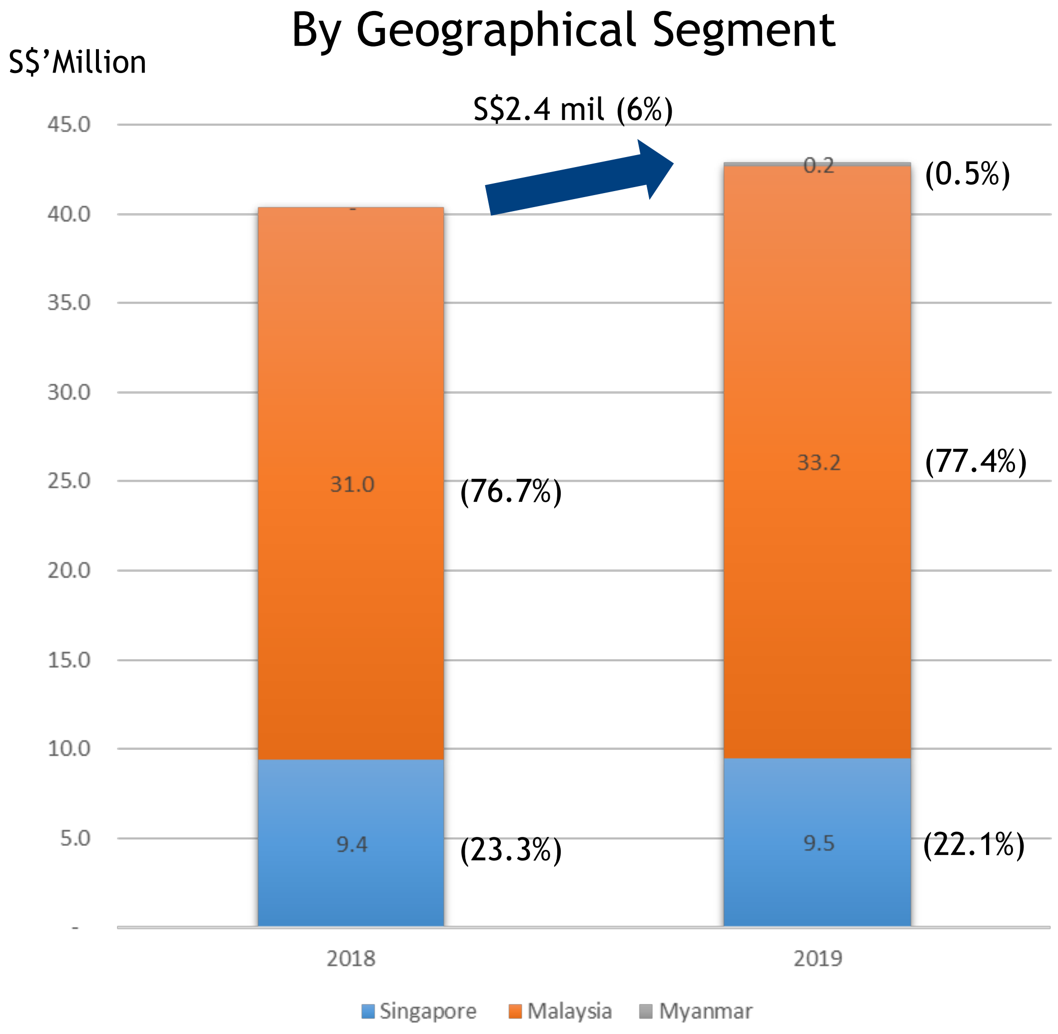
Consolidated Statement of Comprehensive Income

S$'000	2019	2018	% Change
Revenue	42,872	40,444	6%
Cost of sales	(22,823)	(20,980)	9%
Gross profit	20,049	19,464	3%
Other income	702	608	15%
Selling and distribution expenses	(60)	(22)	>100%
Administrative expenses	(8,677)	(8,168)	6%
Other expenses	(1,818) (N1)	(655)	>100%
Finance costs	(257)	(4)	>100%
Share of results of associate	(34)	(30)	13%
Profit before income tax	9,905	11,193	-12%
Income tax expense	(2,656)	(2,516)	6%
Profit for the year	7,249	8,677	-16%

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

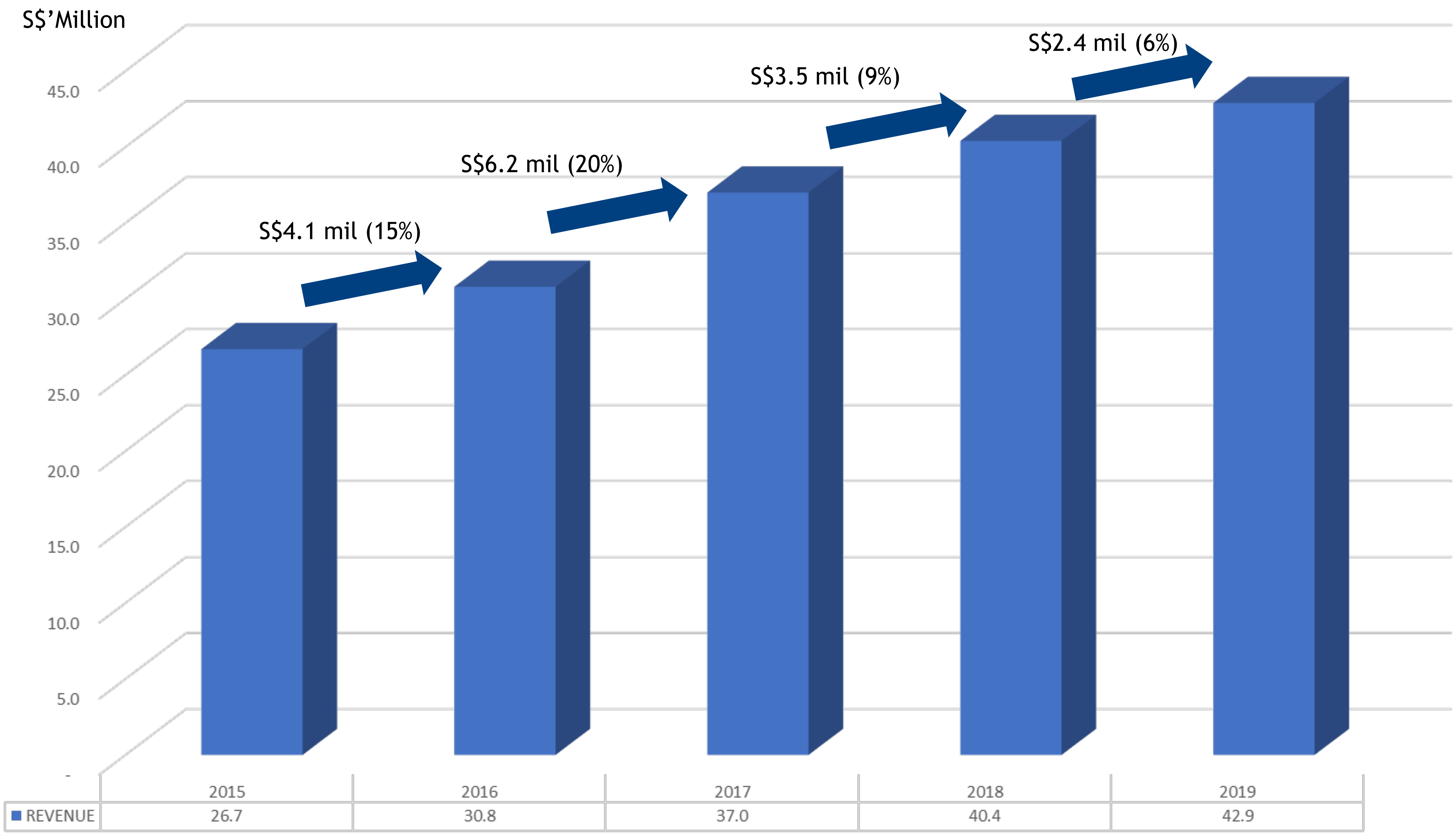
Revenue Breakdown



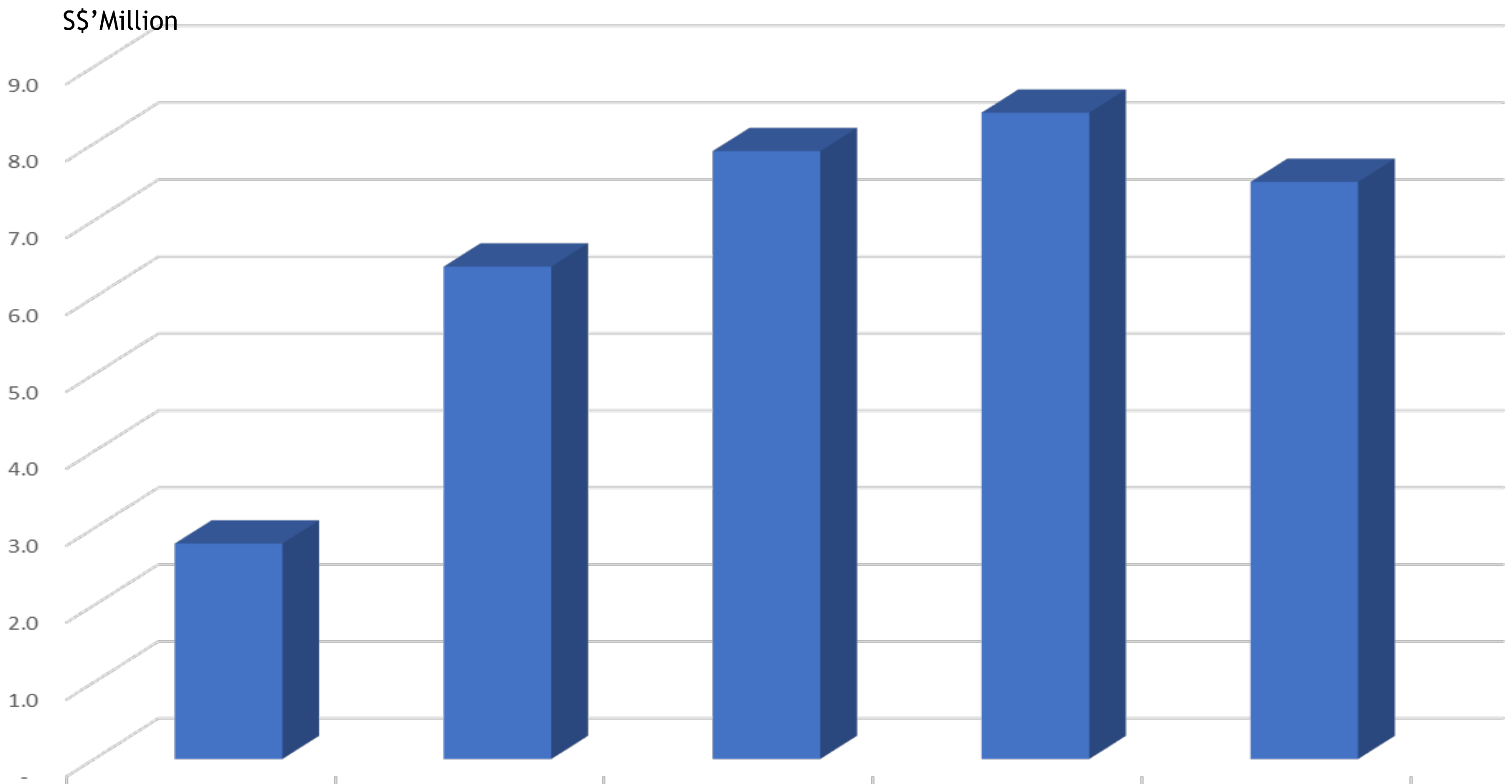


FY2019 vs FY2018: The increase in Group revenue was mainly attributable to increased business activities from the Group's specialised health services business segment.

Revenue – 5 Years (2015 – 2019)



Profit attributable to owners of Company – 5 Years (2015 – 2019)



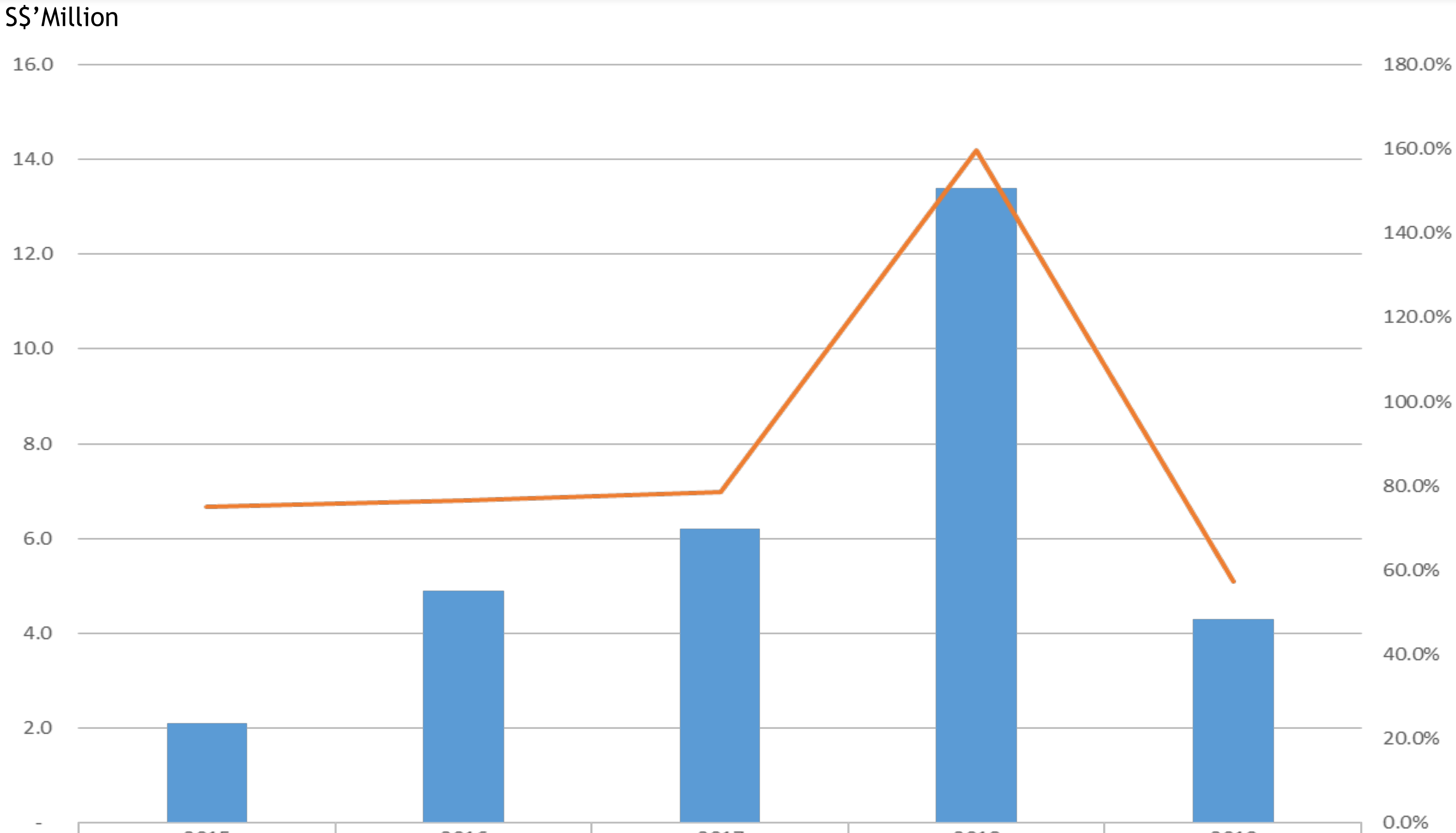
	2015	2016	2017	2018	2019
Profit Attributable to owners of Company	2.8	6.4	7.9	8.4	7.5

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

Highlights for Q1 2020 Results

S$'000	3 Months Period Ended 31 March 2020	3 Months Period Ended 31 March 2019	% Change
Revenue	9,265	9,936	-7%
Cost of sales	(5,310)	(5,089)	4%
Gross profit	3,955	4,847	-18%
Profit before income tax	1,810	2,831	-36%
Profit for the period	1,393	2,221	-37%

Dividends



	2015	2016	2017	2018	2019
Dividends Paid/Payable	2.1	4.9	6.2	13.4	4.3 (N1)
% of Profit Attributable to owners of Company	75.0%	76.6%	78.5%	159.5%	57.3%

N1 – Include final dividend proposed but not yet approved by the shareholders; to be approved in the AGM on 24 June 2020.

Corporate Developments

Corporate Developments - 2019

1) **23 April 2019** - Completed Acquisition of the Remaining 49% of the Entire Issued and Paid-Up Share Capital of ISEC (Penang) Sdn. Bhd. ("ISEC Penang")

- Following the completion of the above acquisition on 23 April 2019, the interest of ISEC Sdn. Bhd., wholly-owned subsidiary of the Company, in the shareholding of ISEC Penang has been increased from 51% to 100% of the total issued and paid-up share capital of ISEC Penang. Accordingly, ISEC Penang is now an indirect wholly-owned subsidiary of the Company.
- The consideration was satisfied by way of the allotment and issuance of 15,639,275 new shares of the Company ("Consideration Shares") to the shareholders of Pearl Eye Specialists Sdn. Bhd. and Dr Adrian Tey Puat Kean at an issue price of S$0.29 per Consideration Share.
- Following the allotment and issuance of the Consideration Shares, the total number of issued shares (excluding treasury shares) in the Company has increased from 516,709,269 Shares to 532,348,544 Shares.

Corporate Developments – 2019

2) **20 December 2019 -** Mandatory Unconditional Cash Offer for ISEC Healthcare Ltd. (the "Company") – Close of Offer

- In 2019, the Company became a subsidiary of Aier Eye International (Singapore) Pte. Ltd. ("**Aier Eye**") following the latter's acquisition of a 56.53% stake in the Company[1]. Aier Eye is a wholly-owned subsidiary of Aier Eye Hospital Group Co., Ltd., a company incorporated in the People's Republic of China, listed on the Shenzhen Stock Exchange.
- Subsequent to the Close of Offer, Mr Chen Bang, Ms Zhang Yongmei and Mr Li Li were appointed on board as Non-Executive and Non-Independent Directors.

[1] Based on 532,348,544 Shares in issue excluding 386,400 treasury shares as at 20 December 2019.

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 million (“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 million 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 LSS, SYS and TSW with the Group and is in the long-term interest of the Group.

Outlook

Coronavirus 2019 (“COVID-19”) Outbreak

- Since the outbreak of COVID-19 that was first reported in December 2019, the Group’s clinic operations have stepped up screening measures on incoming patients entering the clinics.

- Our operations in both Malaysia and Singapore, in particular the specialist health services segment, have been adversely affected by the travel restrictions and safe distancing measures imposed by the respective countries to pre-empt the trend of increasing local transmission of COVID-19 as explained in our voluntary announcement on our Q1 2020 results which was released via SGXNet on 21 April 2020.

- In Singapore, patient visits have significantly decreased since the start of the COVID-19 pandemic. Additionally, the reduction in business was also contributed by the absence of foreign patients, who are prohibited from entering Singapore to seek healthcare treatment. Singapore had entered into Phase 2 of the country’s reopening on 19 June 2020, and all eye consultations and procedures are allowed to be seen. However, with the restrictions of foreign patient visits and the requirements of safe distancing measures, patient visits are still adversely affected.

- Over in Malaysia, the enforcement of the Movement Control Order (“MCO”) has also seen economic activity slowing down significantly. The country had entered the “Recovery Movement Control Order” (“RMCO”) on 10 June 2020, with further restrictions eased and interstate travels allowed. However, foreign patients are still prohibited from going to Malaysia to seek healthcare treatment, thereby contributing to the reduction in business.

Outlook

Coronavirus 2019 (“COVID-19”) Outbreak (Cont’d)

- The Group’s top priorities are to ensure the safety of our patients and staff as well as the viability of the business, while at the same time protecting employees’ jobs. As such, adjustments have been made to the salaries/remunerations of most of the Group’s Ophthalmologists for the period from April to June 2020. The Group will continue to monitor the performance of its clinics in the coming months and consider any further salary adjustments if necessary. On top of adopting other cost-cutting measures, the Group continues to fine-tune daily operations and strategies to adapt to the evolving business environment.

- We will continue to monitor the situation and its impact on the Group’s operations in the financial year ending 31 December 2020 (“FY2020”) and beyond and continue to develop and implement mitigation measures where necessary. We will also continually assess if any impairment loss for goodwill needs to be accounted for during the relevant financial year.

- Given the constantly evolving nature of the COVID-19 pandemic and the lack of a vaccine or a definitive cure as of now, it is not possible to determine how long this pandemic will last and the scale of its impact globally and hence, it is currently not possible for the Group to ascertain the full impact of this pandemic on the Group’s operations and finances for FY2020 at this juncture.

Outlook

Coronavirus 2019 (“COVID-19”) Outbreak (Cont’d)

- While the Group expects demand for some of our services across the Group to gradually pick up when control measures are progressively lifted, based on the current situation, the management is of the view that the Group’s financial performance for FY2020 is likely to be adversely affected.

Summary

Summary

Revenue increased by approximately S$2.4 million, or 6.0%, to S$42.9 million in FY2019, from S$40.4 million in FY2018, mainly from increased business activities in the Group's specialised health services segment.

Profit attributable to shareholders of the Company decreased from S$8.4 million in FY2018 to S$7.5 million in FY2019. An impairment loss for goodwill of S$1.2 million relating to operations from the general health services segment was recorded in FY2019.

The Company has proposed a final dividend of S$0.005 per share. With the interim dividend of S$0.003 per share declared and paid during the year 2019, the total dividend constitutes 57.3% of the net profit attributable to owners of the Company.

While the Group expects demand for some of our services across the Group to gradually pick up when control measures are progressively lifted, based on the current situation, the management is of the view that the Group's financial performance for FY2020 is likely to be adversely affected.

Thank You