BCM
Alliance

BCM ALLIANCE BERHAD

Registration No. 201501009903 (1135238-U)

ANNUAL REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Chin Goo Chai
Independent Non-Executive Chairman

Koh Lap Hing
Non-Independent Executive Deputy Chairman

Liaw Chong Lin
Managing Director

Chung Eng Lam
Executive Director

Hew Chun Shun
Executive Director

Lim Jit Wei
Executive Director

Datin Latiffah Binti Endot
Independent Non-Executive Director

Ng Kok Wah
Independent Non-Executive Director

AUDIT COMMITTEE

Ng Kok Wah
Chairman
Independent Non-Executive Director
(Member of Malaysian Institute of Accountants)

Datuk Chin Goo Chai
Member
Independent Non-Executive Chairman

Datin Latiffah Binti Endot
Member
Independent Non-Executive Director

REMUNERATION COMMITTEE

Datin Latiffah Binti Endot
Chairperson
Independent Non-Executive Director

Datuk Chin Goo Chai
Member
Independent Non-Executive Chairman

Koh Lap Hing
Member
Non-Independent Executive Deputy Chairman

NOMINATION COMMITTEE

Datuk Chin Goo Chai
Chairman
Independent Non-Executive Chairman

Datin Latiffah Binti Endot
Member
Independent Non-Executive Director

Ng Kok Wah
Member
Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Datin Latiffah Binti Endot
Chairperson
Independent Non-Executive Director

Ng Kok Wah
Member
Independent Non-Executive Director

Chung Eng Lam
Member
Executive Director

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
(SSM Practising Certificate No. 201908002253)

Thien Lee Mee (LS0009760)
(SSM Practising Cerificate No. 201908002254)

REGISTERED OFFICE

Suite 10.02, level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel no. : 03 - 2298 0263
Fax no. : 03 - 2298 0268

HEAD OFFICE

No. 13-12, Jalan Jalil Perkasa 13,
Aked Esplanad, Bukit Jalil,
57000 Kuala Lumpur.
Tel. No. : 03 - 8993 9139
Fax No. : 03 - 8993 9039

AUDITORS

Messrs UHY (AF 1411)
Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel : 03 – 2279 3088
Fax : 03 – 2279 3099

PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8 Jalan Kerinchi,
59200 Kuala Lumpur.
Tel. No. : 03 - 2783 9299
Fax. No. : 03 - 2783 9222

Share Registrar's Customer Service Centre
Unit G-3, Ground Floor,
Vertical Podium, Avenue 3,
Bangsar South,
No. 8 Jalan Kerinchi,
59200 Kuala Lumpur.

STOCK EXCHANGE LISTING

ACE Market of
Bursa Malaysia Securities Berhad
("Bursa Securities")
Stock Name : BCMALL
Stock Code : 0187

WEBSITE

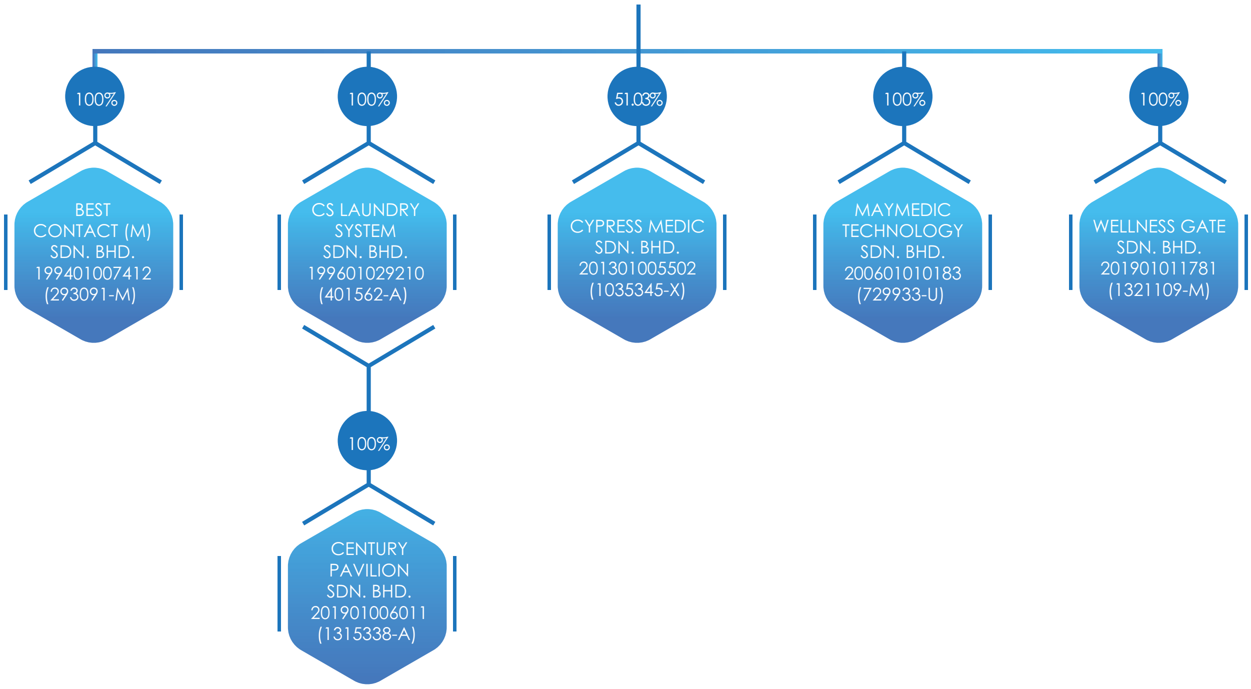
www.bcmalliance.com.my

INVESTOR RELATIONS

Email : ir@bcmalliance.com.my
Tel no. : 03- 8993 9139

CORPORATE STRUCTURE

BCM ALLIANCE BERHAD
Registration No. 201501009903
(1135238-U)



With decades of long-built corporate experience, BCM Alliance Berhad ("BCM" or "the Company") has marked its presence as a reputable company, supported by an established business track record. From its humble beginnings as maintenance service provider for various types of electrical equipment in 2015, BCM has today successfully evolved into a diversified entity with footprint in three major distribution businesses namely:-

Commercial laundry equipment;
Medical devices; and
Healthcare products and clinical devices.

Through its wholly-owned subsidiary of CS Laundry System Sdn. Bhd. ("CS Laundry"), the Company offers services related to the supply, testing, installation and commissioning of commercial laundry equipment across Malaysia. Meanwhile, BCM is also involved in the supply, testing, installation and commissioning of medical devices via its two wholly-owned entities namely, Best Contact (M) Sdn. Bhd. ("Best Contact") and Maymedic Technology Sdn. Bhd. ("Maymedic").

In a bid to further diversify and future-proof its business, BCM ventured into the distribution of healthcare products and clinical devices following the acquisition of 51.03% of Cypress Medic Sdn. Bhd. ("Cypress"), effective from 9 February 2018.

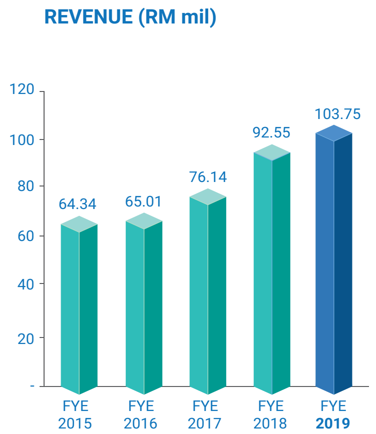
On 8 April 2019, BCM also incorporated Wellness Gate Sdn. Bhd. ("Wellness Gate") - a wholly-owned subsidiary of BCM. The incorporation is mainly to facilitate the expansion of new business activities of BCM and its subsidiaries (collectively, the Group).

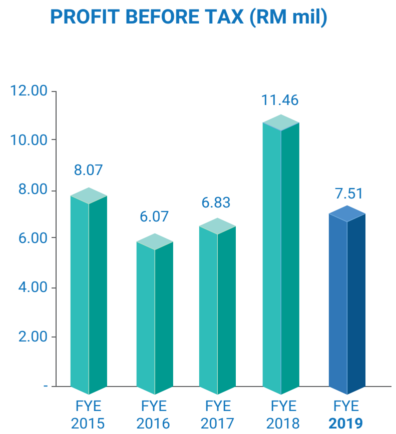
On 18 April 2019, CS Laundry acquired 100% equity interest of Century Pavilion Sdn. Bhd. ("Century Pavilion") to allow the Group to expand its future service offerings to include the provision of commercial laundry services. As a result, Century Pavilion has become an indirect wholly-owned subsidiary of the BCM.

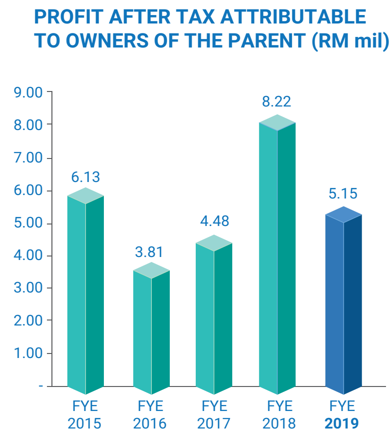
Moving forward, BCM continues to be supported by its competitive strengths, which are backed by an established track record that spans over 40 years. Its team of experienced key management personnel and skilled employees continually ensures that the Group remains resilient and adopts the best business strategies amid any arising challenges in the operating environment.

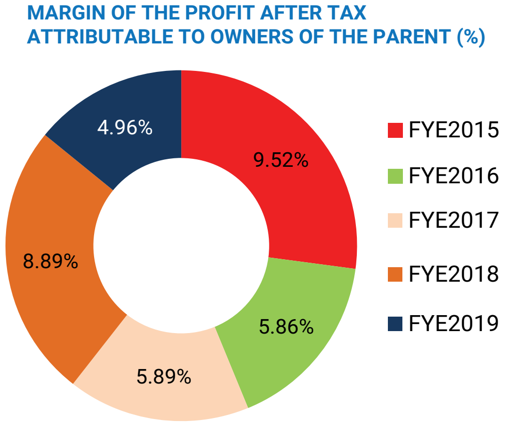
In addition, BCM is also a key distributor for many well-known and highly sought after products such as commercial laundry equipment, medical devices, healthcare and clinical products. BCM also provides efficient and reliable after-sales services to its clients, and as a result, many of them have become the Group's long-time clients.

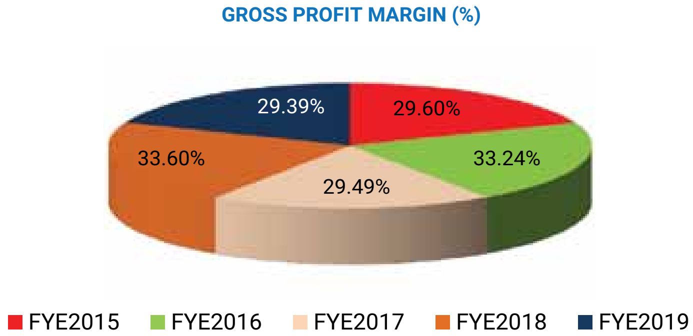
FINANCIAL HIGHLIGHTS

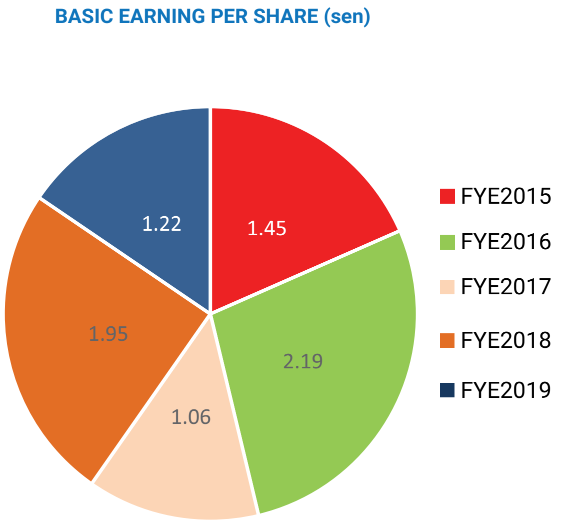


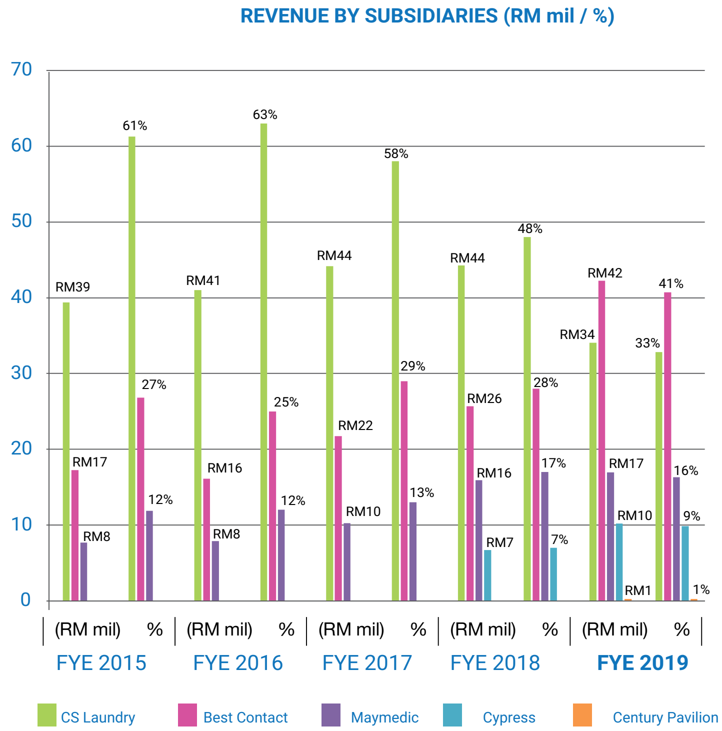












Note: FYE 2019 for Century Pavilion : stated RM0.26 mil stated 0.25%

Note:

1. *Summary of the financial results for the financial year ("FYE") 2015 has been prepared based on the Audited Combined Financial Statements of the BCM Group.*
2. *Summary of the financial results for the FYE 2016 - 2019 were based on the Group's Audited Consolidated Financial Statements.*

DIRECTORS' PROFILE

DATUK CHIN GOO CHAI
66 years of age, Malaysian, Male
Independent Non-Executive Chairman
Chairman of Nomination Committee
Member of Audit Committee and Remuneration Committee

Datuk Chin Goo Chai was appointed to the Board on 2 November 2015 as Independent Non-Executive Chairman. He has more than thirty (30) years of working experience in the area of hospital facility engineering and project, financial and personnel management, which he has accumulated during his years of service with the Ministry of Health.

He graduated in 1978 with a bachelor's degree in Engineering (Mechanical) from University Teknologi Malaysia. Upon his graduation, he joined the Malaysian public service as a Mechanical Engineer at the Ipoh General Hospital, Perak in 1978. In 1984, he was promoted as a Senior Mechanical Engineer and was then transferred to the Engineering Services Division of the Ministry of Health. In 1990, he was posted to Hospital Sultanah Aminah Hospital, Johor Bahru, as its Chief Engineer. In 1991, he returned to the Engineering Services Division of the Ministry of Health as its Chief Mechanical Engineer and was subsequently promoted as its Principal Assistant Director (1995), Deputy Director (2002) and Director of Engineering Services of the Ministry of Health in 2007. In November 2014, he retired from the Malaysian public service.

Throughout his tenure with the Ministry of Health, he has accumulated vast experience relating to hospital project, facility, financial and personnel management which include construction of new hospitals, clinics and healthcare facility upgrading projects, maintenance of hospital facilities and equipment as well as the implementation and maintenance of ISO 9000:2008 quality assurance system for engineering services. He was also serving as member of various government councils including being a member of the National Measurement Council in 2011 to 2012.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

KOH LAP HING
69 years of age, Malaysian, Male
Non-Independent Executive Deputy Chairman
Member of Remuneration Committee

Koh Lap Hing was appointed to the Board on 2 November 2015 as Non-Independent Executive Deputy Chairman. He has more than forty (40) years of experience in the commercial laundry equipment and medical devices industries. He has undertaken various roles including overseeing the installation, servicing and repair works, as well as overseeing the supply of various types of equipment including commercial laundry equipment and medical devices to establishments such as launderette outlets, hotels and hospitals during his tenure at Syarikat Sunto Trading.

After completing his primary school education in 1963 at Sekolah Jenis Kebangsaan (Cina) Gemas Bharu, Johor, he assisted in his father's rubber plantation in Gemas Bharu, Johor. In 1974, he joined Melven United Sdn. Bhd. as a Technician, whereby he was responsible for the installation, servicing and repair works of various mechanical, electronic and electrical equipment. In late 1978, he left the company to co-found Syarikat Sunto Trading which was then involved in the business of providing general maintenance, repair and installation services for various types of electrical equipment, including commercial laundry equipment and medical devices across Peninsular Malaysia.

During his tenure with Syarikat Sunto Trading, he gained vast exposure, experience and expertise as well as established his business network with various players in the commercial laundry equipment and medical devices business segments. In 1994, he co-founded Best Contact to venture into the business of supplying electronic control systems to electronic manufacturers.

Koh Lap Hing then co-founded CS Laundry and Maymedic in 1996 and 2006, respectively.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Directors' Profile (cont'd)

LIAW CHONG LIN

58 years of age, Malaysian, Male
Managing Director

Liaw Chong Lin was appointed to the Board on 2 November 2015 as Managing Director. He is responsible for charting the overall strategic direction and management of our Group. He is also the business unit head of Best Contact and is responsible for overseeing its day-to-day operations. He has more than thirty (30) years of working experience in the medical devices business segment.

In 1983, Liaw Chong Lin obtained a Diploma in Electrical and Electronic Engineering from Jaya Institution of Technology, Kuala Lumpur. He started his career in 1984 as a Service Technician in Antah Sri Radin Sdn. Bhd., where he was involved in the maintenance of medical imaging equipment including X-Ray, fluoroscopy and angiography systems. He was also involved in the installation of various machinery and equipment such as freezers, ice-cream machines and safety boxes at 7-11 convenience stores across Peninsular Malaysia. He then left Antah Sri Radin Sdn. Bhd. in July 1988. Between 1988 to 1990, he was attached to Convenience Shopping Sdn. Bhd. as a Service Supervisor where he was responsible for the supervision of contractors in the setting up of new 7-11 convenience stores and maintenance of related equipment in the 7-11 convenience stores. In January 1990, he left Convenience Shopping Sdn. Bhd. and joined Smitech (M) Sdn. Bhd. as a Service Engineer where he was involved in the installation and maintenance of medical devices (such as diagnostic imaging equipment, sterilisers, surgical lights and tables) of various brands of medical devices, such as Hitachi, Amsco, Varian, Bennett and Soredex. Subsequently in 1994, he was promoted as its Service Manager where he was responsible for leading a team in carrying out installation and maintenance work and was given additional responsibilities in undertaking project planning, tendering and overseeing the sales processes for various projects.

In March 1998, he left the company and joined Hitachi Medical System (S) Pte Ltd as its Project and Service Manager, where he was responsible for the project planning and has led a project team for the installation and maintenance of Hitachi brand of diagnostic imaging equipment in Malaysia. In 2000, he was promoted as its Country Manager, handling Hitachi Medical System (S) Pte Ltd's operations, sales and services in Malaysia. He then left Hitachi Medical System (S) Pte Ltd in March 2004 and took a career break from March 2004 to October 2004 before joining Best Contact in November 2004 as the Executive Director to spearhead the medical devices business segment.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

LIM JIT WEI

60 years of age, Malaysian, Male
Executive Director

Lim Jit Wei was appointed to the Board on 2 November 2015 as Executive Director to spearhead the commercial laundry equipment business segment. He is the business unit head of CS Laundry, where he is responsible for overseeing the day-to-day operations of CS Laundry. He has more than twenty-five (25) years of experience in the commercial laundry equipment business segment.

After completing his secondary school education at Sekolah Menengah Jenis Kebangsaan Jinjang, Kuala Lumpur in 1976, he took on various odd jobs before joining Perkhidmatan Megah Sdn. Bhd. in 1980 as a Contract Site Supervisor. He was tasked with supervising the installation of fire-fighting systems at business premises. At the end of 1988, he left Perkhidmatan Megah Sdn. Bhd. to join I.E. Candid Sdn. Bhd., which was principally involved in the trading and installation of industrial kitchen and laundry equipment. He has held various positions at I.E Candid Sdn. Bhd., including as its Senior Technician (1988 to 1991), Technical Supervisor (1991 to 1994) and Sales and Technical Design Executive (1994 to 1998). He was involved in the sales and maintenance of various commercial laundry equipment and its laundry systems (such as water inlet, drainage pipe and electrical supply box) during his working tenure at I.E Candid Sdn. Bhd.

He left I.E. Candid Sdn. Bhd. at the end of 1998 and became a shareholder of CS Laundry in December 1998.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Directors' Profile (cont'd)

CHUNG ENG LAM

55 years of age, Malaysian, Male
Executive Director
Member of Risk Management Committee

Chung Eng Lam was appointed to the Board on 2 November 2015 as Executive Director. He is the business unit head for Maymedic and is responsible for overseeing the day-to-day running of the operations of Maymedic. He has approximately thirty (30) years of working experience in the area of the supply of disinfection, sterilisation and surgical room equipment products as well as its related repair and maintenance services.

He obtained a Certificate in Technology (Mechanical and Automotive Engineering) from Kolej Tunku Abdul Rahman, Kuala Lumpur in 1986. He started his career in 1986 as a Technician in Syarikat Sunto Trading, where he was involved in maintaining and installing medical devices, as well as servicing mechanical and electrical components of other hospital related equipment. He was also responsible for the design of stainless steel furniture used in the sterile department and the mortuary department of various hospitals which included Hospital Ampang, Hospital Serdang and Hospital Putrajaya, amongst others. In 1996, he was promoted as its Technical Manager. In 1998, he became a shareholder of CS Laundry. In 2006, he co-founded Maymedic. He plays an instrumental role in spearheading the business expansion of Maymedic.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

HEW CHUN SHUN

47 years of age, Malaysian, Male
Executive Director

Hew Chun Shun was appointed to the Board on 2 November 2015 as Executive Director for overseeing the Group's finance, administrative and human resources functions. He has more than twenty (20) years of experience in the commercial laundry equipment and medical devices business segment.

In 1995, he obtained a Diploma in Electrical and Electronic Engineering from Institute Megatech, Kuala Lumpur and the Master of Business Administration from the University of Southern Queensland, Australia in 2008.

He began his career in 1995 as a Technician in GMS Technology Sdn. Bhd. He subsequently left GMS Technology Sdn. Bhd. during the fourth quarter of 1996 and joined Syarikat Sunto Trading as a Technician in 1996, where he was involved in the service and maintenance of sterilising equipment. In 1999, he joined Amirdic Sdn. Bhd. ("Amirdic ") as its Project Manager (a position he has relinquished in 2008), where he was responsible for the management of hospital mortuary projects undertaken by the company. He was also involved in the supply and distribution of mortuary and laundry equipment projects. In these projects, his roles included drafting the layout plan, handling and monitoring the progress of site works, testing and commissioning, equipment procurement and costing.

He was a Director in Amirdic since 1999 and with the relinquishment of his position as its Project Manager in 2008, he has since been re-designated as a Non-Executive Director in Amirdic.

In 1998, he co-founded CS Laundry.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Directors' Profile (cont'd)

DATIN LATIFFAH BINTI ENDOT

70 years of age, Malaysian, Female
Independent Non-Executive Director
Chairperson of Remuneration Committee and Risk Management Committee
Member of Audit Committee and Nomination Committee

Datin Latiffah Binti Endot was appointed to the Board on 2 November 2015 as Independent Non-Executive Director. She has more than thirty (30) years of working experience in various areas such as procurement, human resources management, hospital management as well as policy and development sectors in which she accumulated during her service in different departments and ministries within the Malaysian public service.

She graduated in 1973 with a Bachelor of Arts (Anthropology and Sociology) from the University of Malaya, Kuala Lumpur. She began her career in 1974 as an Administrative and Diplomatic Service Officer in the procurement and administrator division of the Ministry of Defence, Malaysia where she was responsible for the procurement of all types of rations that were required by the Malaysian Armed Forces. In 1980, she joined the Ministry of Works, Malaysia as a Senior Officer in the Contract and Bumiputera Division, where she was responsible for the development of Class D, E and F contractors as well as the development of Bumiputera contractors. Between 1982 to July 1983, she took a career and sabbatical break from the Malaysian public service. She returned to the Malaysian public service in 1983 where she became the Senior Officer of the Services Division (Human Resources) in the Ministry of Health, where she was responsible for its human resources (except for doctors and paramedics) related matters which include amongst other, the training programmes for healthcare officers and staffs and their welfare rights and benefits.

In 1989, she was posted to the Contracts Division of the Ministry of Finance, Malaysia and was responsible for the registration of Bumiputera companies participating in Government contracts. In November 1991, she left the Ministry of Finance, Malaysia and joined University Malaya Medical Centre as its Deputy Director of Administration where she was responsible for managing the non-clinical aspects of the hospital which includes amongst other, training programmes for its staff, implementation of its ISO quality system and staff welfare system.

In April 2006, she retired as the Deputy Director of Administration, University Malaya Medical Centre. Since her retirement, she has been actively involved as a volunteer with the Malaysian Information Network on Disabilities (also known as BAKTI-MIND Project), an organisation established to promote the use of information and communication technology related to healthcare, rehabilitation, education, employment, adaptive technologies and equipment, government and non-government assistance to persons with disabilities.

She is not a Director in any other public company and listed issuer in Malaysia. She does not have any family relationship with any Director and/or major shareholder of the Company, nor does she have any conflict of interest with the Company. She has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

NG KOK WAH

42 years of age, Malaysian, Male
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination Committee and Risk Management Committee

Ng Kok Wah was appointed to the Board on 2 November 2015 as Independent Non-Executive Director.

He is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA).

He started his career with a small accounting firm since year 1998 followed by an international medium accounting firm, Morison Anuarul Azizan Chew & Co. Handling various audit and non-audit assignments for both listed and non-listed companies involved in a wide range of business activities include financial institutions like bank and insurance company. He is also an Independent Non-Executive Director of Ageson Berhad, Bright Packaging Industry Berhad and Multi-Usage Holdings Berhad.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

CHONG WAI MUN

49 years of age, Malaysian, Male
General Manager

Chong Wai Mun, a Malaysian aged 49, is the General Manager of Best Contact since 1 January 2015. He is primarily responsible for assisting the Managing Director, Liaw Chong Lin in the day-to-day running of operations of Best Contact. He is in charge of all projects and services relating to medical devices. He is responsible for our Group's compliance on matters related to DIN ISO 13485:2003 (which specifies requirements for a quality management system where an organisation needs to demonstrate its ability to provide medical devices and related services that consistently meet customer requirements as well as regulatory requirements applicable to medical devices and related services) and Good Distribution Practice for Medical Devices ("GDPMD"). As the representative of the management, he is tasked with the planning, execution, enforcement and continuous improvement of the ISO standards in respect of the company which includes the coordination and communication with the regulatory authorities such as the Medical Device Authority ("MDA"), as well as the auditors from the certification body of ISO standards and GDPMD.

He obtained an Advanced Certificate in Electronic and Communication Engineering from TAFE College, Seremban, Negeri Sembilan in 1995. He also graduated with a Bachelor of Engineering in Communication Systems Engineering from Coventry University, United Kingdom in 1997.

He began his career in 1997 as an Engineer with Perwira Ericsson (M) Sdn. Bhd. where he was involved in handling system conversion, testing and commissioning. He left the company in 1998 and joined EXI Asia Sdn. Bhd. the same year as an Engineer, where he was responsible for the testing and commissioning for mobile switching centre and base station controller systems for local and overseas telecommunication companies. He left the company in 2000 and joined Ericsson France as its Contract Engineer on a one (1) year contract basis and upon the expiry of his contract in 2001, he joined Dalian Ericsson Communication Company Ltd, Nanjing Branch as its Engineer on a one (1) year.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

LIM TOW KENG

47 years of age, Malaysian, Male
General Manager

Lim Tow Keng, a Malaysian aged 47, is the General Manager of Maymedic . He is primarily responsible in-charge of Maymedic's business operation matters and overseeing the project and servicing department in relation to disinfection, sterilization and surgical room equipment. In 2011, he obtained an International Diploma in Business Management from Camford International College.

After completing his secondary school education in 1991, he joined Interdev Corporation Sdn. Bhd. in 1992 as an apprentice draughts person. During his tenure there, he obtained a Graphic Design Certificate from the Malaysian Institute of Art in 1993 and proceeded to complete his Diploma Juruteknik Senibina from the Pertubuhan Akitek Malaysia in 2002. He left Interdev Corporation Sdn. Bhd. in March 2004 and joined GB Architect in 2004 as an Intermediate Draughts person until 2006. He then left the company in February 2006 and he was attached to Dynamic Team Holding Sdn. Bhd. as its Client Relationship Manager between 2006 and 2007, where he was responsible for handling and coordinating all aspects of training related duties, administrative and operational support functions and procedures to run workshops offered by Dynamic Holdings Sdn. Bhd. to its customers. Subsequently, he left the company in November 2007 and joined Maymedic in 2007 as its Sales Manager and was subsequent promoted to General Manager on 1 January 2018, a position he has held since then.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

KEW KIN CHEE

48 years of age, Malaysian, Male
Technical Manager

Kew Kin Chee, a Malaysian aged 48, is the Technical Manager of Maymedic. He is primarily responsible for the technical operations of Maymedic.

He holds a Certificate in Electrical Engineering in Power from Polytechnic Ungku Omar, Ipoh which he obtained in 1993. He began his career in 1993 as a Technical Manager for Sunto Trading Sdn. Bhd. ("STSB"), where he was mainly involved in the maintenance and repair of sterilisation equipment. He left STSB in 2006 and joined Maymedic as a Technical Manager on 1 May 2006, where he was in-charge of the maintenance and repair of medical devices and has held the position since then.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

TANG FOOK CHOY

44 years of age, Malaysian, Male
Financial Controller

Tang Fook Choy, a Malaysian aged 44, is our Financial Controller. He is primarily responsible for the financial and accounting function of our Group.

He holds a Certificate in Book-Keeping and Accounts (Second Level) from London Chamber of Commerce & Industry ("LCCI"). He had completed the Association of Chartered Certified Accountants ("ACCA") course at SEGI College and obtained his professional accounting qualification from the ACCA in 2002. He is also a member of the Malaysian Institute of Accountants since 2002.

He began his career in March 1999 as an Audit Assistant with Mea & Co. Chartered Accountants, an independent member firm of McMillan Woods Global Ltd. He left Mea & Co. Chartered Accountants in October 2003 with his last position there being an Audit and Tax Senior. In November 2003, he joined Vanli Auto Spares Sdn. Bhd. as its Accountant and was responsible for handling accounting and finance matters of Vanli group of companies. He left Vanli Auto Spares Sdn. Bhd. in February 2004. In March 2004, he joined TADMAX Resources Berhad (formerly known as Wijaya Baru Global Berhad) as an Assistant Accountant and left the company in July 2012 with his last position there being a Senior Accountant. During his tenure with the company, he was responsible in the areas of financial accounting, audit, taxation and finance related matters. He then joined Agromate (M) Sdn. Bhd. as its Accountant in September 2012, supervising the Accounts Department for Agromate group of companies. In May 2015, he left Agromate (M) Sdn. Bhd. He later joined O&C Resources Berhad (formerly known as Takaso Resources Berhad) as its Financial Controller in June 2015. He was responsible for managing the accounting and financial matters of O&C Resources Berhad. He left O&C Resources Berhad in February 2016 and joined our Group as a Financial Controller in April 2016.

He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any) with the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

BCM ALLIANCE BERHAD

Dear Shareholders,

BCM's revenue has crossed an inflection point of the RM100 million-mark, despite the market challenges that have impacted the operating environment both globally and domestically. We are excited about our future as we continue to fulfill our mission of enabling growth and progress."

On behalf of the Board of Directors of BCM, it is my great pleasure to present our Annual Report and Audited Financial Statements for the financial year ended 31 December 2019 (FYE 2019).

RESILIENT BUSINESS GROWTH

I am delighted to announce that BCM's revenue in FYE 2019 has successfully breached the RM100 million-mark for the first time, despite the market challenges that have impacted the operating environment both globally and domestically. This is a great success for the Group as it remains on track to achieving its long-term pursuit of delivering continued growth in financial performance and increasing shareholder value. Backed by the Board of Directors' visionary direction and the management's strategic business measures, I am sanguine that BCM will be able to mitigate adverse external impacts and future-proof its operations.

Over the course of 2019, the Malaysian economy has been affected by several macroeconomic challenges, among which include the US-China trade war, global growth slowdown as well as supply disruption and price volatility in the commodity industry. While private consumption remained a key pillar to the local economy, the significant negative impact from external sectors and the weakening domestic business sentiment have weighed down Malaysia's economic growth. The domestic economy expanded by 4.3% in 2019, below the government's official target of 4.7% but hit the lowest range of Bank Negara Malaysia's 4.3% to 4.8% target. Meanwhile, on the global front, the International Monetary Fund projected the world's economy to rise by 2.9% in 2019, down from a growth of 3.6% in 2018. The moderating economic expansion is visible across advanced and developing economies.

BCM's four key segments continued to be resilient, underpinned by strategic business decisions and the continued positive prospects in the respective segments namely medical devices, commercial laundry equipment, provision of commercial laundry services and healthcare products.

Chairman's Statement (cont'd)

Medical Devices Industry

Malaysia's medical device industry is a multi-billion ringgit business, with robust growth potential moving forward. In fact, the industry is one of the fastest-growing sectors of the healthcare spectrum, which continues to be one of the most vital and dynamic economic sectors in Malaysia. While keeping the trend as the world's leading producer and exporter of traditional products such as catheters and medical gloves, the Malaysian medical device industry has transformed from producing simple devices to higher value-added and technologically advanced products. In recent years, it has also risen to become an important industry that contributes to high-value exports for Malaysia. Based on the earlier forecast by the Association of Malaysian Medical Industries, the exports of medical devices from Malaysia is expected to cross RM23 billion in 2019 following stronger growth in the previous year.

According to the latest available official data, there are more than 200 manufacturers, including over 30 multinational corporations operating within the country. Recognising its immense prospects, the government has designated the medical devices industry as one of the '3+2' high-growth sub-sectors under the Eleventh Malaysia Plan. The industry is an important growth area which includes higher value-added and technologically advanced products, such as cardiac pacemakers, stents, orthopaedic implantable devices, electro-medical, therapeutic, and monitoring devices.

The medical device industry in Malaysia is well-supported by government policies and incentives to spur the increase in home-grown medical device manufacturers, particularly the small and medium enterprises, as well as to boost high-value export activities. As an upcoming player in the booming medical device industry, BCM is poised to benefit from the industry growth both domestically and internationally.

Commercial Laundry Equipment Industry and Provision of Commercial Laundry Services

The Malaysian commercial laundry equipment scene has continued to see the entry of new suppliers, hence increasing the competition in the industry. However, the industry also sees an increase in demand for commercial laundry equipment supported by a rising population and the setting up of more self-operated launderettes across the country. Over recent years, more individuals are patronising coin-operated laundry shops to do their laundry, and this has increased the demand for commercial laundry equipment. Besides, the higher demand from the robust hospitality industry and healthcare sector will also spur growth in the commercial laundry equipment segment. Investors have also found the increasing automation and reliability of commercial laundry equipment to be more appealing from a business perspective.

Commercial Laundry Equipment Industry and Provision of Commercial Laundry Services (cont'd)

As a supplier of commercial laundry equipment in Malaysia, BCM is unperturbed by the increasing competition and instead is focused on tapping into the promising prospects and opportunities available in the industry. Over the years, the commercial laundry equipment industry has delivered good returns for the investors and business players and as a result, has attracted the emergence of more investors and businesses to tap into the growth potential. This positive momentum is set to continue, although at a more moderate pace given the ongoing macroeconomic conditions.

The management of BCM is continuously taking strategic measures to ensure the Group's commercial laundry equipment division is ahead of the curve and delivers top quality products and services to its clients. On top of that, BCM stands to benefit from the projected outlet expansion by its existing customers of more than 1,400 laundry outlets, with higher equipment sales moving forward. Meanwhile, BCM will also continue to expand its self-operated launderette outlets to tap into growing market demand. This will offer synergistic benefits to the Group's commercial laundry equipment business moving forward.

Healthcare Products

Healthcare products business is essentially recession-proof as the demand for such products will remain largely undisrupted even when macroeconomic conditions turn more challenging. Over recent years, Malaysia has continued to see robust growth in healthcare product expenditure on the back of the ageing population and the increase in health-conscious consumers. Malaysian consumers are increasingly more willing to spend on healthcare products in pursuit of a healthier lifestyle. Besides, the longer life expectancy of Malaysians also creates additional demand for healthcare products.

While consumers have various healthcare product options to choose from, quality and niche healthcare products continue to be highly sought after. Price affordability is also another factor that determines the popularity of healthcare products among consumers. A manufacturer who could successfully strike a balance between quality and price affordability will be able to offer healthcare products that attract huge attention from the market.

BCM's healthcare products distribution business banks on products that control strong demand in the market. Among the products distributed are blood pressure monitor, nebuliser, body fat monitor and thermometer. These are part of the well-known Rossmax brand of healthcare products, known in the market for their superior performance using the most leading technology application. The customers for these products can be individuals or healthcare institutions such as hospitals and clinics.

Financial Performance Review

In FYE 2019, BCM recorded a new record-high revenue of RM103.75 million as compared to RM92.55 million in the previous financial year, marking an increase of 12.11% year-on-year ("y-o-y"). This is a significant milestone for the Group as the revenue breached the RM100 million-mark for the first time in BCM's corporate history. The stronger revenue in the 12-month period was contributed mainly by higher contribution from the medical devices business segment and healthcare products business segment as well as the RM0.26 million contribution from the new commercial laundry services business segment.

Chairman's Statement (cont'd)

Financial Performance Review (cont'd)

Breaking down by business segments, BCM's medical devices arm posted a 42.32% y-o-y surge in revenue from RM41.60 million in FYE 2018 to RM59.20 million in FYE 2019. Meanwhile, the revenue of BCM's healthcare products business segment in FYE 2019 rose by 52.66% y-o-y to RM10.22 million from RM6.69 million in FYE 2018. The commercial laundry equipment business, on the other hand, registered revenue of RM34.07 million in FYE 2019, as compared to RM44.25 million a year earlier.

For the year under review, the Group registered a profit before tax of RM7.51 million as compared to RM11.46 million in FYE 2018. The lower profit of RM3.95 million or 34.50% was mainly attributable to higher cost of sales caused by depreciation of Ringgit Malaysia and higher Sales Tax expense; higher administrative expenses due to increase in staff costs; exclusion of a one-off non-recurring income of RM0.69 million (i.e. negative goodwill income pertaining to the subscription of Cypress which had been recognised in FYE 2018) and higher net loss on impairment of financial instruments (receivables), among others.

BCM also enjoys a sturdy balance sheet alongside its resilient financial performance in FYE 2019. As of 31 December 2019, the Group's net cash position stood at RM24.73 million by netting off its total deposited cash and bank balances of RM32.32 million against its total borrowings and lease liabilities of RM7.59 million. Meanwhile, the Shareholders' equity attributable to owners of the Group have increased by RM4.33 million to RM50.90 million in FYE 2019, with total assets of RM84.80 million and RM31.27 million of total liabilities.

Business Outlook

The COVID-19 outbreak has evolved into a global pandemic, adversely affecting economies worldwide due to the widespread imposition of travel restrictions, constraints on the movement of people and the suspension of many business operations to curb the spread of this virus. The management of BCM continues to monitor the COVID-19 situation closely. Our priority is to ensure the health, safety and wellbeing of our staff, clients and other business contacts, as well as continuing to deliver our services.

While factors could take charge in deciding the fate of all future business growth during this challenging time, the management of BCM remains steadfast in its pursuit to build a stronger future for the Group. BCM is focused on strengthening its business prospects by enhancing its revenue growth, optimising profit margin, business and operation support functions as well as increasing shareholders' value. These will be achieved via four key strategies in the near and medium-term. BCM intends to introduce a new portfolio of products and brands continuously. The focus will be on identifying and sourcing for the latest products that have strong demand or traction in the market. The adjustment to the Group's portfolio of products will be instrumental in strengthening its sales performance, moving forward.

BCM is also keen on expanding its business further in order to diversify its investments and increase a steady income stream for the long run. The Group remains open to any form of acquisitions, be it via organic and inorganic growth if the new potential business investment opportunities offer promising prospects at a reasonable acquisition price. We believe that the current market conditions enable us to scout for potential assets at a reasonable valuation and even at a discount.

Moving forward, BCM is committed to strengthening its self-operated launderettes business. BCM aims to further increase the number of outlets to 16, from the current 11 outlets.

Business Outlook (cont'd)

In 2020, BCM intends to widen the customer base for all its four key business segments. Advertising and promotional activities will be ramped up, while after-sales services will be improved to attract the attention of more buyers. Besides, the Group will also take adequate measures to enhance relationships with the existing customers. These efforts will eventually lead to more sales orders for the Group's businesses in 2020.

BCM remains focused and driven to achieve its long-term aim to become a leading player in Southeast Asia's medical devices and commercial laundry equipment scene.

Corporate Governance

BCM is supported by good corporate governance principles, and the Group is committed to ensuring that this high standard of corporate governance is embedded in its policies and procedures, framework and process. The Board of Directors places emphasis on upholding the core values of integrity. Besides, the Group emphasise on the future, innovation, good leadership, teamwork, ethics, social responsibility and good customers and stakeholders' relationship to ensure there is fair, transparent and ethical governance practised by the employees across the organisation. This code of best practices is aimed to oversee how the management serves and to protect shareholders' interests.

Acknowledgement

On behalf of the Board of Directors, I would like to thank all shareholders of BCM for your continued support and loyalty to the Group. Backed by the strategic decisions made by the Board and the management of BCM, I am confident that the Group is better positioned moving forward to ride out the immediate challenges and build strong, more customer-centred businesses. On this note, I would also like to convey my sincere appreciation to the management and employees of BCM for their untiring commitment in taking the Group to greater heights.

With the great support from all BCM's stakeholders, I am confident that this will be possible to achieve.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview of Business and Operations

i) Core Business of the Group

BCM was established in 2015 and was listed on ACE Market of Bursa Securities in 2016. The Group has a diversified business presence and is principally involved in the distribution of products, with investments in four main segments namely medical devices, healthcare products, commercial laundry equipment and provision of commercial laundry services.

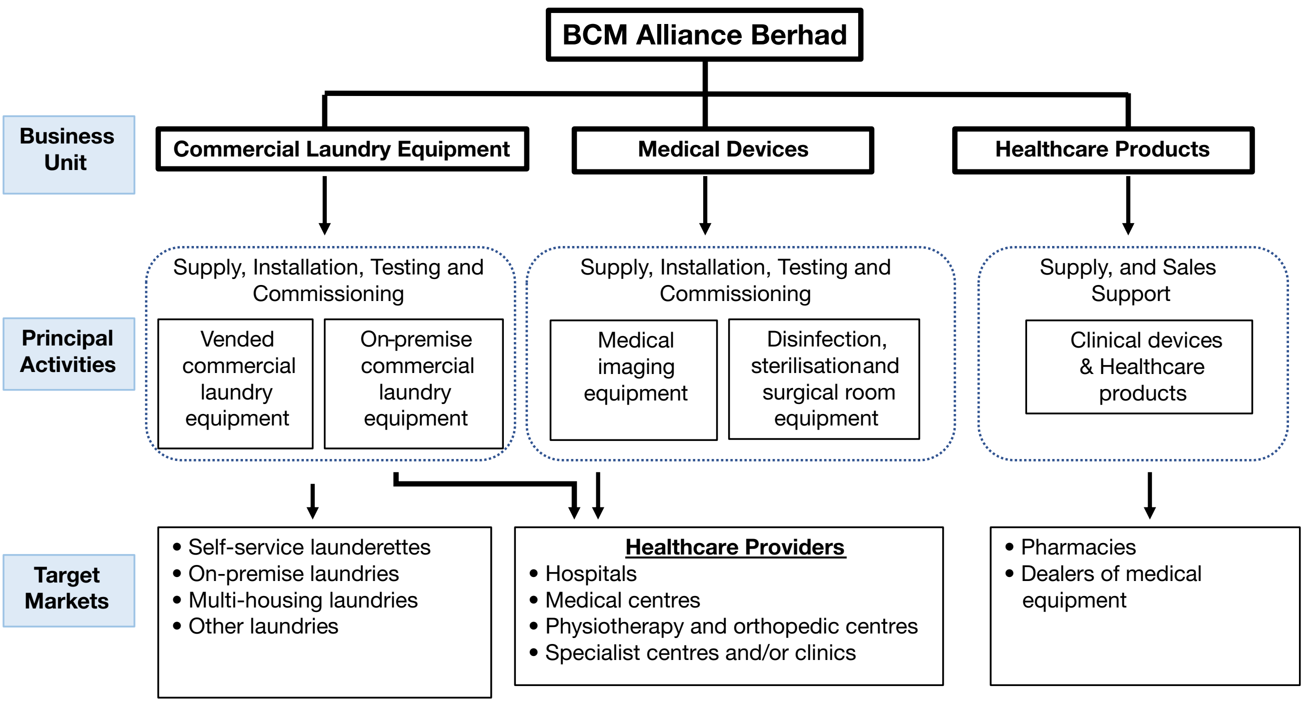
Under the medical device business, BCM operates Best Contact and Maymedic, which are both involved in the supply, testing, installation and commissioning of medical devices. Among the well-known medical device brands supplied by the Group include Hitachi, Quantum, Shielding, STERIS, Trilux and Newmed.

Meanwhile, the Group also operates CS Laundry, which is a subsidiary involved in the supply, testing, installation and commissioning of commercial laundry equipment. We supply well-known laundry equipment brands such as SpeedQueen, Huebsch, Lelit, Renzacci, Pony, Jensen, Lapauw, Sealion and Domus.

CS Laundry has expanded its service offerings through the acquisition of a wholly-owned subsidiary, Century Pavilion in April 2019, to provide commercial laundry services via operating self-service launderette outlets in Malaysia.

Besides, the healthcare products segment is represented by Cypress, in which the Group subscribed a 51.03% stake in February 2018. Cypress's core business is in the trading and distribution of healthcare products and clinical devices such as blood pressure monitor, nebuliser and thermometer.

Our business activities are as follows: -



ii) Products & Services

BCM distributes a comprehensive range of commercial laundry equipment, healthcare products, medical imaging equipment as well as disinfection, sterilisation and surgical room products from various international brands.

The Group also engaged in the provision of commercial laundry services via operating self-service launderette outlets.

1. Overview of Business and Operations (cont'd)

Medical devices business segment

BCM distributes two product categories, namely medical imaging equipment as well as disinfection, sterilisation and surgical room equipment, under the medical devices business segment. Our subsidiary, Best Contact operates our medical imaging business while the disinfection, sterilisation and surgical room equipment business is carried out by Maymedic.

We also distribute the related spare parts, accessories and consumables of medical devices such as MRI system, CT scanner, digital radiography system, X-Ray system, various types of sterilisers, medical printing system and washers/disinfectors.

We mainly distribute our range of medical devices such as MRI system, CT scanner, digital radiography system, X-Ray system, medical beds, various types of sterilisers, medical printing system and washers/disinfectors to healthcare and medical service providers such as medical institutions, medical centres, physiotherapy centres and dental clinics in Malaysia.

For our medical devices business segment, our Group's target markets are healthcare providers such as hospitals and medical centres. Our distribution activities of medical devices business segment include the supply, equipping, installation, development, testing and commissioning of various medical devices at the medical imaging departments, operating theatres and central sterile supply departments of healthcare institutions. The medical devices that we distribute have an estimated product lifespan of between 5 years and 10 years with regular interval maintenance.

We also provide product recommendations, operation workflow design, mechanical and engineering services, installation, training as well as assisting our customers in obtaining relevant approvals from authorities for use of such medical devices (such as obtaining the approval from the Atomic Energy Licensing Board of Malaysia for the installation and usage of CT scanner in the medical centres/hospitals). We also provide support to our customers in terms of training, after-sales services, repair and maintenance services and other services.

Healthcare products business segment

Via our majority stake of 51.03% in Cypress, which the Group had subscribed in February 2018, we have diversified into the distribution of healthcare products and clinical devices, such as blood pressure monitor, nebuliser and thermometer. Cypress primary target markets are pharmacies and dealers of medical equipment. Cypress is the authorised distributor for the Rossmax range of products, which is a leading global brand. The synergistic subscription of Cypress would allow BCM to expand its reach into the distribution of healthcare products in the retail market/pharmacies.

Commercial laundry equipment business segment and Provision of commercial laundry services segment

Operated by our wholly-owned subsidiary, CS Laundry, we are involved in the distribution activities for commercial laundry equipment, which include the supply, installation, testing, and commissioning of this equipment. Besides, we are also involved in the distribution of the related spare parts, accessories and consumables of commercial laundry equipment. The commercial laundry equipment that we distribute has an estimated product lifespan of up to 12 years with regular interval maintenance.

As part of our distribution package offerings, we provide consultancy services such as designing and planning of our customer's self-service launderette layout, presentation and other related services in setting up self-service launderette and on–premise laundries. This involves recommending the type of commercial laundry equipment to be installed, drawing of schematics and layouts, flow and space planning, fixture and fittings as well as other fit-outs to be installed.

We maintain several self-service launderette layout templates to suit our customer's preferences, designed to attract end-users to our customer's self-service launderette and maximise its full potential. Once the renovation of the launderette outlet is completed, we will assist our customers to outfit their new launderette outlet, including the installation of commercial laundry equipment (washer, dryer, etc), furniture and fittings, and others.

To ensure the best services available, we provide training, after-sales services and other services. Our commitment to our customers is to provide the best repair and maintenance services for our range of commercial laundry equipment. We source our commercial laundry equipment as well as the related spare parts, accessories and consumables from reputable international brand manufacturers with a proven operating track record as well as a portfolio of quality products.

Over the years, the Group has accumulated extensive experience and expertise in the self-service launderette industry, coupled with the introduction of more efficient and cost-saving machines in recent years, the Board has decided to venture into this business which is expected to provide an additional source of income and contribute positively to the future financial performance of BCM.

1. Overview of Business and Operations (cont'd)

Commercial laundry equipment business segment and Provision of commercial laundry services segment (cont'd)

Although this business segment faces stiff competition from other operators, as the barrier to enter into this industry is low, BCM maintained its competitive advantages by:-

1. Self-service expertise team ensure timely servicing and no disruption on machines
2. Targeted corner units which provide more space for customers, besides the benefit of easy-to-notice;
3. 24-hour operated CCTV, installation of spotlights for a brighter environment in all outlets to enhance security;
4. Competitive pricing;
5. Largest wash capacity up to 28kg per wash, with a minimum of 8 machines;
6. Environmentally-friendly laundry washer with ECO Wash Technology which consumes less water; and
7. Target to install more dual-directional dryers which can save drying energy by 20% at our outlets, from current one outlet.

2. Analysis of Financial Results and Financial Condition

i) Financial performance review

With a new record-high revenue in the FYE 2019, BCM's financial performance remained resilient in the financial year under review amid the market headwinds. The Group's revenue in FYE 2019 rose by 12.11% year-on-year ("y-o-y") to RM103.75 million from RM92.55 million in the corresponding preceding year. The significant growth in revenue was mainly due to higher revenue contribution from medical devices business segment, healthcare products business segment and commercial laundry service business segment by RM17.60 million, RM3.52 million and RM0.26 million, respectively.

Meanwhile, the Group's profit before tax ("PBT") for FYE 2019 was recorded at RM7.51 million as compared to RM11.46 million in FYE 2018. The reduction of RM3.95 million or 34.50% y-o-y in PBT was a result of a higher cost of sales caused by depreciation of Ringgit Malaysia and higher Sales Tax expense; higher administrative expenses due to increase in staff costs; higher net loss on impairment of financial instruments (receivables) and exclusion of a one-off non-recurring income of RM0.69 million (i.e. negative goodwill income pertaining to the subscription of Cypress which had been recognised in FYE 2018) during the current year under review.

Medical devices business segment

The medical devices business segment has emerged as the biggest revenue contributor for BCM in FYE 2019. The segment delivered total revenue of RM59.20 million for the Group, which is a 42.32% y-o-y increase from RM41.60 million in FYE 2018. The increase in revenue contribution from the medical devices business segment was mainly due to more orders secured by the Group from its existing and new hospital clients for medical imaging equipment and sterilisation equipment in FYE 2019.

Commercial laundry equipment business segment

For FYE 2019, the commercial laundry equipment business segment contributed RM34.07 million to the Group's overall turnover. In comparison to the revenue posted in FYE 2018, this represents a decline of RM10.18 million or 23.01% y-o-y from RM44.25 million. The lower revenue is mainly attributable to lesser order from laundry operators due to uncertain current economic outlook in the year 2019, which resulted in the more conservative approach adopted by laundry operators to set up new launderette outlets or replace their old commercial laundry equipment.

Healthcare Products

BCM's healthcare products segment registered a 52.66% increase in revenue from RM6.69 million in FYE 2018 to RM10.22 million in FYE 2019. The increase in revenue contribution from the healthcare products business segment was mainly due to higher demand from customers for the use of our core products namely Rossmax and intensive promotion efforts conducted by our marketing team to boost up the sales.

2. Analysis of Financial Results and Financial Condition (cont'd)

i) Financial performance review (cont'd)

Provision of Commercial Laundry Services

Revenue achieved by the new commercial laundry services segment of RM0.26 million indicates good demand from customers for the use of our services.

ii) Analysis of gross profit and gross profit margin by business segments

In FYE 2019, BCM recorded a gross profit ("GP") of RM30.50 million or a GP margin of 29.39%. In comparison, the Group's GP and GP margin in FYE 2018 were RM31.10 million and 33.60% respectively. Our Group's GP and GP margin are mainly dependent on the composition of product mix sold during the year under review.

	FYE 2019		FYE 2018	
Business Segments	RM'000	%	RM'000	%
Medical devices	17,167	29.00	14,768	35.50
Healthcare products	4,249	41.59	3,169	47.36
Commercial laundry equipment	8,908	26.14	13,160	29.74
Commercial laundry services	174	66.72	-	-
Total	30,498		31,097	

In overall, the decrease in GP and GP margin are mainly due to higher cost of sales caused by depreciation of Ringgit Malaysia and higher Sales Tax expense in FYE 2019.

iii Review of financial position and liquidity

The Group's total assets have increased by RM6.82 million or 8.74% to RM84.80 million, from RM77.98 million recorded last financial year. The increase was contributed mainly by the higher trade receivables by RM2.89 million; higher right-of-use assets by RM3.45 million and higher cash and cash equivalents as at 31 December 2019.

The increase by RM2.89 million in trade receivables to RM17.56 million was attributable to the increase in the revenue during FYE 2019. The management is confident that this amount will be recovered in the year 2020.

On the other hand, the Group's total liabilities have increased marginally by RM2.42 million to RM31.27 million as at 31 December 2019. The increase was contributed mainly by the higher lease liabilities by RM0.95 million, higher trade bill payables by RM0.53 million and higher other payables.

The Group's net cash position stood at RM24.73 million by netting off its total deposited cash and bank balances of RM32.32 million against its total borrowings and lease liabilities of RM7.59 million. It represents an increase of 6.87% as compared to FYE 2018.

Shareholders' equity attributable to owners of the Group registered an increase of RM4.33 million or 9.29% to RM50.90 million, from RM46.58 million a year ago. Net assets per share stood at 12 sen as at FYE 2019.

BCM's working capital showed a marginal improved position at RM43.36 million, as compared to RM42.39 million in the preceding financial year. The Group's working capital is healthy and efficiency as the current assets are approximately 2.6 times of the current liabilities.

In regard to Acid-Test Ratio, which is an indicator if the Group has sufficient short-term liquid assets to cover its immediate liabilities, it showed BCM's position stood at financial health level at approximately 2.0 times.

BCM is continuously working hard to improve its financial position and performance to enhance value for our shareholders.

Management Discussion and Analysis (cont'd)

3. Review of Operating Activities

BCM's business operations have seen positive developments in FYE 2019. These include: -

a) On 8 April 2019: A wholly-owned subsidiary of BCM, Wellness Gate, was incorporated with an issued share capital of RM10,000 comprising 10,000 ordinary shares. The intended principal activity of Wellness Gate is to carry the business of investment holdings. It will also facilitate the expansion of new business activities of the Group in future.

b) On 18 April 2019: BCM's wholly-owned subsidiary, CS Laundry, acquired one (1) ordinary share from Yap Kian Mun, representing 100% equity interest in Century Pavilion, at a total cash consideration of RM1. The acquisition is intended to expand BCM's future service offerings to include the provision of commercial laundry services.

c) On 29 November 2019: BCM entered into the following agreements:

- a subscription agreement with Foodict, and Lee Chin Fong ("LCF") and Lee Beng Wai ("LBW") (collectively as "Warrantors") for the proposed subscription of 133,333 new ordinary shares in Foodict representing 25% enlarged equity interest in Foodict, for a total cash consideration of RM1,499,996.25 ("Subscription Agreement");

- a share purchase agreement with LCF, LBW and Hsu Feng Chih (collectively, the "Vendors") for the proposed acquisition of an aggregate of 138,667 existing ordinary shares in Foodict representing 26% enlarged equity interest in Foodict, for a total cash consideration of RM1,560,003.75 ("Share Purchase Agreement");

- a shareholders agreement with the Vendors and Foodict to set out the responsibilities and obligations of the Company and the Vendors (collectively "Parties") as the shareholders of Foodict and to record the terms and conditions governing the structure and organisation of Foodict and the Parties' respective rights and obligations in relation thereto ("Shareholders' Agreement"), which shall be effective upon completion of the Subscription Agreement; and

- a profit guarantee agreement with LCF and LBW (collectively the "Guarantors") whereby the Guarantors will jointly and severally guarantee to the Company that the aggregate audited profit after tax attributable to the shareholders of Foodict for the two (2) years commencing from the date of completion of the Subscription Agreement and ending 24 months thereafter, shall not be less than the sum of RM1,600,000 ("Profit Guarantee Agreement").

(The Subscription Agreement, Share Purchase Agreement, Shareholders' Agreement and Profit Guarantee Agreement are collectively, referred to as the "Definitive Agreements").

Pursuant to the Definitive Agreements, Foodict will become a 51% subsidiary of the Company. On 30 March 2020, the Parties have mutually agreed to extend the period to fulfil the Conditions Precedent and Share Purchase Agreement Conditions Precedent from 30 March 2020 to 1 June 2020.

However, on 2 June 2020, the Definitive Agreements have been terminated as a number of the Conditions Precedent of the Subscription Agreement and Share Purchase Agreement remain unfulfilled as at the expiry of the cut-off date i.e. 1 June 2020.

BCM reserves the right in respect of the reimbursement by Foodict of the costs and expenses incurred by the Group in relation to the proposed investment in Foodict.

4. Future Plans & Prospects

In tandem with the Group's focus to enhance its revenue growth, optimise margin, business and operation support functions as well as to increase shareholders' value, BCM intends to achieve its objectives through the following strategies:

(i) Continuous introduction of our new portfolio of products and brands.

In 2020, BCM plans to participate more in relevant international exhibitions to search for suitable new medical devices and commercial laundry equipment to expand our portfolio of products and brands to enhance the Group's future performance.

4. Future Plans & Prospects (cont'd)

(ii) Pursue active business expansion via organic and inorganic growth.

BCM plans to expand the business via organic and inorganic growth. We are actively looking for new potential business investment opportunities through acquisition to expand our product offerings and create an additional income stream in future.

(iii) Broaden our client base by attracting new customers and enhancing the relationship with our existing customers.

BCM plans to add new private hospitals into its portfolio of clients, especially through the supply of big-ticket medical equipment. This will support the Group's continuous effort to widen its product line and after-sales services.

Our management and marketing team are also working proactively to secure new customers to expand our current customer base. We provide continuous sales support to our existing customer by rendering suggestion and recommendation on any suitable device/machine, suitable upgrade, replacement and service packages to our existing customer as an initiative to secure potential sales order in 2020.

(iv) Setting up of self-service launderette outlets.

The Group currently operates 11 self-service laundrette outlets. In addition, the Group intends to set up another 5 new self-service laundrette outlets in the year 2020, to improve our capability to meet customers' demand and to enhance the Group's revenue.

In 2020, the Group also plans to conduct more laundry opportunity sharing conferences in hotels surrounding Klang Valley and Johor Bahru to enhance its revenue growth.

The Group will also try to explore the opportunity to penetrate into the laundry service business for the healthcare services and hospitality sectors, in order to increase the revenue base.

Looking ahead, we remain steadfast in our commitment to protect the health and safety of our teams around the world as we navigate these uncertain times. We are highly focused on the execution of our strategic initiatives and are taking decisive actions to mitigate the challenges created by this global pandemic.

5. Anticipated or Known Risks

The profitability of our business mainly depends on the types of products that our Group sells and their selling prices and the cost of sales of the products sold. The selling prices of our products are based on supply and demand.

Other factors that can affect our financial results include: -

a) Market conditions of the commercial laundry equipment, medical devices, healthcare devices and commercial laundry services industries in Malaysia;
b) Our ability to stay competitive and maintain our market shares;
c) The ability to develop and implement marketing strategies to suit customers' needs and expansion of our distribution markets;
d) Developments in the political and economic environments in Malaysia which may materially and adversely affect the business, operations and financial performance of our Group;
e) The abilities and continued performance of our directors, managers and key management personnel. Any loss of these key management personnel could materially affect our Group;
f) Fluctuations in foreign currencies exchange rate, which may vary the purchase price of the equipment, spare parts, accessories, consumables and devices that we have purchased from our international brand manufacturers;
g) Our Group's ability to keep abreast with the latest developments in the commercial laundry equipment, healthcare and medical devices industries;
h) Ability to pass the higher cost of goods sold to our customers due to the fluctuation of the market prices of our products; and
i) The potential effects of adverse or favourable interest rate fluctuation, which may affect our Group's profitability as all of our Group's borrowings are interest-bearing.

Management Discussion and Analysis (cont'd)

5. Anticipated or Known Risks (cont'd)

Our mitigation strategies include but not limited to:-

a) Constantly reviewing our marketing strategies for all divisions to find out what is working and what is not so the areas can be improved. The review will help the Group to make solid decisions about where to put the resources in the future. Additionally, we are also continuously exploring new advertising & promotion platforms such as digital marketing and social media related to complement our marketing strategies.

b) Subscribing to journals related to our industries, as well as engage in discussion with our customers/suppliers, and participating in conferences or local events to stay up to date with the industry challenges, opportunities and trends. In regard to the authority, our Group is always in active communication with Medical Device Authority and Atomic Energy Licensing Board officer for the latest development of regulatory requirement.

c) Be clear about the structure of pay, bonuses, and raises for the key management personnel. Besides that, the Group offers our employees a career path to provide them with the opportunity to learn, advance and contribute in new ways, as well as nurturing the talents discovered along the way.

d) Negotiate for better exchange rate with banking institutions that offer financing facilities, serve as a natural hedging mechanism. The Group also compare and book spot exchange rates during remittance.

e) Study competitors' products and services to enhance and improve the competitive advantages of BCM.

Impact from foreign currency exchange rates

A significant proportion of our purchases is transacted in foreign currencies such as the United States Dollar and Euro, while our revenues are mainly denominated in Ringgit Malaysia ("RM"). Hence, our GP margin is directly affected by foreign currency exchange rate fluctuations.

A depreciation of the RM against these currencies may ultimately affect the cost of our purchases. This may adversely affect our financial performance as it would reduce the Group's GP margin. Whilst we can pass on our foreign exchange risks by increasing the selling price of our products to maintain our GP margin, such action would result in our products becoming less competitive in the market and this, in turn, may affect our sales volume.

In order to mitigate the Group's foreign currency risk, the Group continues to monitor our exposure to foreign currency movements on a regular basis for our management's assessment on the need to utilise financial instruments to hedge our currency exposure, taking into account factors such as the foreign currency involved, exposure periods and transaction costs.

Impact from interest hike

Any interest rate hike will affect our financial result and hence, our Group will monitor and plan for any alternative financing options should the need arise. During the financial year under review, our financial results were not adversely affected by interest rate fluctuations.

Impact of inflation

Our Group's financial performance during the financial year under review was not significantly affected by the impact of inflation. Notwithstanding that, our Group is confident of passing on the effect of higher product costs due to inflation to our customers.

Impact from Government, economic, fiscal or monetary policies

Our financial and business prospects, and the prospects of the industries in which we operate, will depend to some degree on the developments on the political, economic and regulatory fronts in Malaysia. They include changes in inflation rates, interest rates, foreign exchange rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in government policies and regulations. Any adverse developments in the political, economic and regulatory conditions in Malaysia could have a material and unfavourable effect on the Group's financial position and business prospects.

5. Anticipated or Known Risks (cont'd)

Impacts of COVID-19 and Oil Price Wars

Globally, confirmed cases of the novel coronavirus (COVID-19), which first appeared in China at the end of last year, have exceeded 6.57 million confirmed cases as of 4 June 2020, and are likely to climb significantly higher. What was initially seen as a mostly China-centric shock is now understood to be a global crisis. The virus' spread has regrettably borne out analysts' downside scenarios, with investors digesting the implications of disrupted supply chains, official containment measures, and spillovers from the real economy to financial markets. A decision by two of the world's largest energy producers to maintain current levels of production, despite falling energy prices, has further unnerved investors while questions about governments' abilities to mount an effective and coordinated response linger. The increased uncertainty has led to financial market volatility last seen during the global financial crisis.

The Group is of the view that the extent of the damage will depend on how quickly the virus to be contained, the steps to be taken by the authorities to contain it as well as economic policies and support that the governments are willing to deploy during the epidemic's immediate impact and the aftermath.

Domestically, the Movement Control Order (MCO) / Conditional Movement Control Order (CMCO) which at the time of writing has now extended to 9 June 2020. There is a significant reverse multiplier effect on the economic and financial impact on Malaysia. The Group is closely monitoring the impacts of the COVID-19, and shall formulate necessary strategies to ride out this difficult time.

Nevertheless, our medical devices business segment, namely Best Contact and Maymedic, as well as our healthcare products business segment, namely Cypress have obtained the approval from the Ministry of Domestic Trade and Consumer Affairs and Ministry of International Trade and Industry to continue operating at a reduced workforce and operating hours during the MCO. Our commercial laundry business segment, which is related to self-service laundry outlets, are not allowed to operate throughout the MCO.

While it is too early to assess the financial impact, the management's primary focus is on the wellbeing of the employees while ensuring continuous operations. The management will also work closely with the trade partners and suppliers to ensure minimal disruption during this period.

6. Dividend Policy

Any declaration of interim dividends and recommendation of final dividends are at the discretion of our Board, in consideration of the overall market conditions and the Group's internal strategies to practice prudent financial management. BCM does not have any formal dividend policy.

The Board of Directors has proposed to pay final single-tier dividend of 0.10 sen per ordinary share for the FYE 2019. This proposed final dividend is subject to shareholders approval at the 5th Annual General Meeting.

SUSTAINABILITY STATEMENT

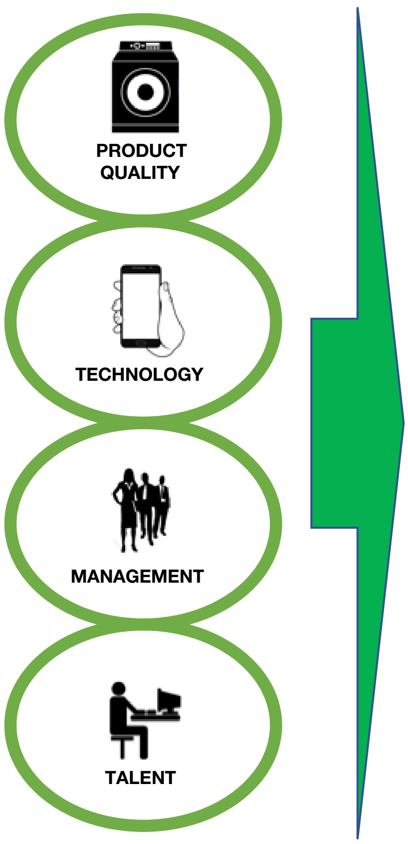
Sustainability has always been a pillar of the Group's culture as we strived to achieve continuing growth and profitability in a safe, caring and sustainable environment. We recognise that sustainability practices are one of the important criterion in investors' investment decisions.

In line with Bursa Securities's Sustainability Reporting Guide (2nd Edition), the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

In this respect, our mission, as a responsible corporate citizen, is to ensure high standards of governance across our business to promote responsible business practices, manage environmental impacts, and meet the social needs of the community in which we operate.

OUR POLICY ON SUSTAINABILITY
Embrace Sustainability in Organisation Culture
Capitalise on Technology and Information
Strengthen the Core
Build Regional Global Connectivity
Foster a High Performance Organisation

BCM's continued success in maintaining a sustainable business and generating long-term shareholder value is influenced by several internal and external factors. Each material factor presents unique risks and opportunities to our organisation, and is a key consideration in our approach to strategies formulation and execution as it substantially influences the assessments and decisions of our stakeholders. We regularly review these factors to assess their impacts on our business model over the near, medium and long term.



ECONOMIC

Sustaining our economy
Delivering sustainable returns to our shareholders

Delivering quality products to achieve customers' satisfaction

ENVIRONMENT

Conserving our environment
Protecting and preserving the environment by opting for environment -friendly products and equipment

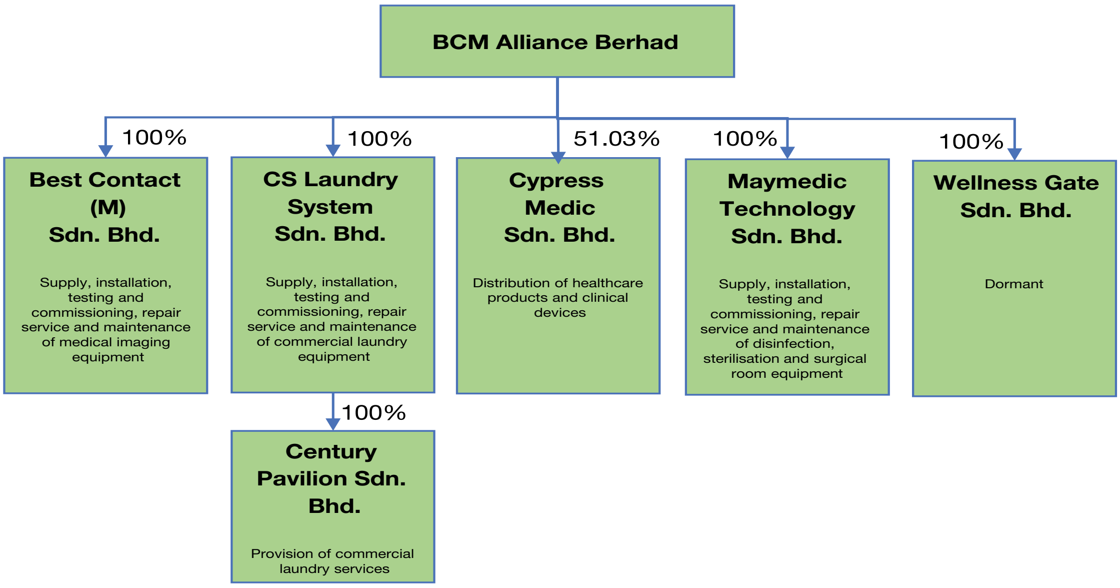
SOCIAL

Building a resilient workforce
Ensuring a positive workplace for our employees

Serving our community
Contributing to the well -being of the community around us

OUR SCOPE

This Statement covers BCM and its subsidiaries. Information disclosed in this Statement encompasses our activities related to trading and distribution of commercial laundry equipment, medical devices, clinical and healthcare products and provision of commercial laundry services in Malaysia.

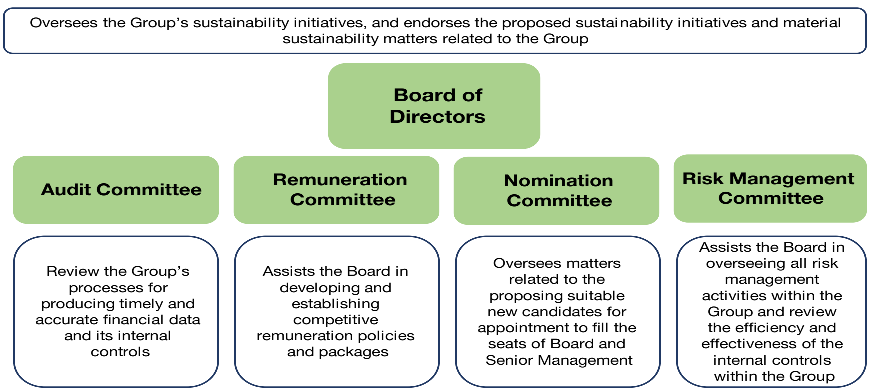


SUSTAINABILITY GOVERNANCE

Corporate Governance

Sustainability is embedded in our organisational approach and is led from the top. The Board plays a vital guidance and oversight role in advancing sustainability across the organisation with the assistance from the Senior Management to oversees the implementation of the organisation's sustainability approach and ensures that key targets are being met.

The Board also acknowledges that risk management and internal control are integral to our corporate governance and that it is responsible for establishing a sound risk management framework and internal control system as well as to ensure their adequacy and effectiveness. The review of the adequacy and effectiveness of the risk management framework and the system of internal control is delegated by the Board to the Risk Management Committee. Asides, the Group's performance is also tracked with the assistance of Audit Committee, Nomination Committee and Remuneration Committee.



The responsibility of the Board to promote and embed sustainability in the Group includes overseeing the following:

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

SUSTAINABILITY GOVERNANCE (Cont'd)

Ethical Business Practices

The Board recognise the importance of ethical business conduct across the operations to maintain our stakeholders' trust. Our business are conducted with integrity through good governance as mentioned by the Code of Conduct and Ethics. Our Whistle-Blowing Policy, uploaded on our website, provides all stakeholders a direct channel for reporting instances of misconduct that contradict to our Code of Conduct and Ethics and/or other non-compliance offences.

Good governance is the bedrock of our business, led by ethical business practices and integrity. We have embedded the highest standards of governance in our business not only by complying with the law, but through processes and directives that continue to reinforce the principles.

In line with Section 17(A) of Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Group had developed Anti-Corruption measures that enable the incorporation of the responsibilities for sustainability into the day-to-day operations of the Group.

STAKEHOLDERS ENGAGEMENT

We continued to engage our stakeholders actively throughout the financial year as part of our sustainability assessment process. Engagement with stakeholders allow us to gain more complete understanding on our materiality issues and matters. Whilst, we are also able to capture the key aspects and impacts of our sustainability journey.

The table below lists our key stakeholder groups and their respective areas of interest as well as methods by which we engage them.

Stakeholders	Engagement Methods	Engagement Area
Shareholders	• Annual & Extraordinary General Meetings • Investors presentations • Press releases • Bursa announcements • Quarterly report • Annual report	• Financial and operational performance • Share price performance • Dividend policy • Return on investments
Government	• Compliances to laws and regulations	• Operations regulations • Bursa listing requirements • Companies Act • Labour law • Taxations
Board of directors	• Board meetings	• Corporate strategy • Corporate governance
Employees	• Trainings • Performance appraisal • Team building activities	• Occupational safety & health • Remuneration policy • Career development • Performance review • Fair employment practices
Customers	• Regular meetings • Advertisement and marketing events	• Customer satisfactions • After-sales services • Quality assurance • Innovative product
Suppliers	• Regular meetings • Quality audit on products • Contract negotiation	• Products' quality • Legal compliance
Communities	• Community events	• Social contribution • Job opportunities • Donation and financial aid
Analyst/Media	• Annual & Extraordinary General Meetings • Press conferences and events • Media releases	• Financial and operational performance

MATERIAL SUSTAINABILITY MATTERS

Economic

Shareholders

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to ask questions to the Board and Executive Management on business operations and the financial performance and position of the Group, the Group's corporate website at www.bcmalliance.com.my also provides investor related information including quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

Customers & Products

The Group is committed to see that not only our shareholders' interests are taken care of but also those of our customers and suppliers. In this regard, the Group values its customers as they are a major reason for its profitability. Our marketing and sales representatives schedule regular meetings, both formal and informal, with our customers to build a strong and conducive relationship. The objective of this is to promote a culture of open communication, trust and reliability.

Our commitment to quality services in distribution of commercial laundry equipment and medical devices has been affirmed with ISO 9001:2015 (Quality Management System) and ISO 13485:2016 (Medical Devices - Quality Management System). In addition to that, for medical devices, we are also in compliance with Good Distribution Practice for Medical Device (Regulatory Compliance System), and Medical Device Regulations, 2012. These certifications provide worldwide recognition and acceptance of our products.

Asides, medical devices imported and distributed by our Group have also been registered with Medical Device Authority of Malaysian in accordance with Section 5(1), Medical Devices Act, 2012. As of 19 February 2020, one hundred and thirty-four (134) registered devices has been approved by the said Authority. These registrations provide regulatory control on the medical devices through compliance of the Act and to ensure the safety and performance of the medical devices to protect the public towards excellent customer satisfaction.

Our emphasis on prompt delivery, and efficient and reliable customer service, has accorded us with our industry reputation as a trusted and reliable distributor of commercial laundry equipment and medical devices.

CUSTOMERS' SATISFACTION
Internationally recognised best practices and international quality accreditation
Experienced management and equipped with industry knowledge, extensive technical support and comprehensive training services
Prompt delivery and reliable customer service
Efficient after-sales service, create an integrated and resilient workforce

In this context, we are able to expand our range of well-known brands and reliable medical products to clinics, diagnostic imaging centres, and private and government hospitals throughout Malaysia, such as our major customers namely KPJ Healthcare, Columbia Asia Hospitals, etc.

Furthermore, it must be noted that our subsidiary, Cypress has been awarded "Excellent Business Partner Award" by Caring Pharmacy in 2019, and CS Laundry awarded as "Asia Pacific Top Excellence Brand 2019 & 2020" by The Asia Pacific BOOK OF THE TOP. We uphold the belief that customers' rights should be preserved at all times and ensure continuous endeavours to create value-for-money for our customers. We also wish to be a responsive and reliable partner to our customers within their respective markets.

MATERIAL SUSTAINABILITY MATTERS (cont'd)

Economic (cont'd)

At the time of writing, the coronavirus ("COVID-19") pandemic has taken its toll on global and domestic economy and has reached unprecedented heights. Many industries have been negatively impacted, particularly, travel and hospitality. The prolonged impact is yet to be determined, however, timely fiscal measures by the government and the banking industry have been unleashed to help mitigate impact to the livelihoods going forward.

While it is too early to assess the financial impact, the management's primary focus is on the wellbeing of the employees while ensuring continuous operations. If our existing market continues to present operating challenges, we will explore towards the strategic optimisation of our resources to new markets and market segments.

Moving forward, the Group will continue to expand the customer base in order to strengthen our market position coupled with the expansion plans for revenue growth. To achieve sustainability in the long run, the Group opined that other diversification in terms of products and geographical shall also be ventured into to enhance its financial performance and in turn its' shareholders' value in future.

Suppliers

To our suppliers, we practise transparent and fair procurement policies so that they as our business partners know that they can depend on us.

Environment

Products

With the rising awareness on eco-friendly practices, consumers are opting for environment-friendly products and equipment in which impacted the commercial laundry equipment and medical device business segments. Thus, the Group continuously source for the latest technology equipment which reduce the consumption of water and energy.

In this respect, the Group had opted to distribute laundry equipment which prevents wastage of water in the laundry process and reduce energy consumption while not compromising the quality of the equipment.

Water Saving Initiatives

Water is a limited resource, and as the world continues to advance and the global population continues to grow, an increasing strain is being placed on the supply of clean water. Water conservation is therefore an area that our Group is working hard on, both improving the efficiency with the use of water, as well as working to educate our employees and the public about the need to conserve it.

Waste Management

Paper recycling initiatives are already in progress by encouraging the employees to prioritise electronic means to share and store documents, and to reduce printing or photocopying, otherwise, to use double sided printing. Additionally, other material such as furnishing and fixture are recycled or reused where possible.

Waste segregation has been done by placing different bins in and around our hangars. Waste segregation is planned to be fully implemented in the coming years throughout the Group where recycling stations will be set up in convenient locations.

Social

Employees

We are made up of people with vast experience and industry background. Building capability is key, hence we proactively provide opportunities for growth and development for talent in the organisation through targeted development plans and succession planning. Ensuring our long term sustainability, we continuously invest time and effort in recruiting (internal and external), upskilling, engaging and rewarding talents/employees of the organisation accordingly.

MATERIAL SUSTAINABILITY MATTERS (cont'd)

Social (cont'd)

<u>Employees (cont'd)</u>

For critical and leadership roles, succession planning is vital to our long-term performance as part of our Group's sustainability move. Our Nomination Committee also reviewed our Group's succession plans for key and critical positions, ensuring that an emergency cover plan for critical leadership roles is in place at all times, and an adequate talent pipeline. The succession planning across the Group is implemented by stages and training programmes are designed specifically for management staff. A detailed job description is established for each job level.

The Group recognised that the safety and well-being of its employees is the foundation of its success. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations. In this respect, the Group places utmost importance on compliance with all relevant health and safety laws and regulations such as Occupational Safety and Health Act, 1994.

Amidst the outbreak of COVID-19 pandemic, with the approval obtained from Ministry of Domestic Trade and Consumer Affairs and Ministry of International Trade and Industry, our medical devices and healthcare products business segments have kept the minimum number of employees to attend to work during the MCO. Asides, our essential workers deserve most accolades, we are heartened by ensuring protective masks put on and body temperatures checked before entering into business premise. Hand sanitizers are in place and we avoid hand shaking. We are also practicing social distancing of at least one metre.

Apart from promoting safety and good health, motivation is an essential part of the Group's responsibility to our employees. The Group has on November 2019 conducted a "Staff Team-Building Trip" at Swiss Garden, Damai Laut Lumut, Perak. This was a leadership development programme aimed at building mindfulness, visualisation and awareness observation techniques in order to be a successful and empathic leader at work, to be able to recognise stress levels among staff and to drive a motivated harmonious culture in the workplace. In addition to the day-to-day motivation measures, it is the Group's tradition to have an Annual Dinner for our employees to mingle and celebrate the year past. The Annual Dinner for 2019 was held at Le Méridien Hotel in Putrajaya, Selangor on December 2019.

MATERIAL SUSTAINABILITY MATTERS (cont'd)

Social (cont'd)

Employees (cont'd)

Training programmes for skill development and improvement are conducted for our employees so that they can execute their roles and responsibilities efficiently as well as for their personal career development.

We will continue to focus on human capital development to nurture our employees to their full potential as they are our greatest asset. In the appointment and recruitment process of BCM, we pride ourselves on being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the work environment, all employment activities, resource allocation and all employment terms and conditions. Every employee is given equal opportunity to rise up in their careers through hard work and dedication.

Community

As we are deeply rooted in the community we operate, we actively engage in community outreach programmes and activities. In this respect, BCM has contributed and participated to a "Merdeka Fun Run 2019 for Sayangi Sawitku" organised by Taman Desa Residents' Association and Majlis Perwakilan Penduduk Wilayah Persekutuan Seputeh on August 2019. BCM employees have also participated in the run.

OUR COMMITMENT

As a responsible corporate citizen, the Group shall endeavour to undertake sustainable and responsible practices to add value to sustainable business growth, environmental stewardship and social responsibility.

Rewarding our shareholder	Sustaining long term value	Advancing our business	Investing in our human resources	Contributing to society
Dividends	Investment in our resources to ensure long-term benefits to our various stakeholders	Reinvestment and diversification	Competitive remuneration, compensation, benefits and trainings	Continued upliftment of our society's well-being through taxes and donations

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of BCM values the importance of good corporate governance and upholds the principles and good practices contained in the Malaysian Code on Corporate Governance ("MCCG"), where applicable.

MCCG serves as a fundamental guide to the Board in discharging its duty to act in the best interest of the Group while enhancing long-term shareholders' value and interests of other stakeholders.

This overview statement is prepared in compliance with the ACE Market Listing Requirements ("AMLR") of Bursa Securities and is to be read together with the Corporate Governance report of the Company for the FYE 2019 which is available on the Company's website at www.bcmalliance.com.my.

The Board wishes to share the following statement on the extent to which principles and good practices of MCCG were applied during the FYE 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PRINCIPLE A: PART 1 – BOARD RESPONSIBILITIES

Intended Outcome 1.0

- Every company is headed by a Board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

1.1 Board's Roles and Responsibilities

The Board is primarily responsible for the Group's overall strategic plans, business performance, overseeing the proper conduct of the Group's business, risk management, succession planning, investor relations, shareholders' communication, internal control, corporate governance practices and statutory matters.

Furthermore, the Board has access to the advice and services of the Company Secretaries, as well as independent professional advice, if necessary, on matters relating to the fulfillment of the Board's roles and responsibilities. The cost of procuring these professional services will be borne by the Company.

The Managing Director ("MD") and Executive Directors are fully accountable to the Board for the exercise of their assigned authority and, with the support of the Company's senior management, report to the Board on the exercise of that authority.

The daily management and operation of the Group are the key responsibilites of the MD who reports to the Board on major management and operational issues, including but not limited to corporate strategies, capital expenditure, execution of contracts, procurement, litigation and human resource management.

The Executive Directors are responsible for providing leadership and overseeing day-to-day business operations and management within their assigned responsibilities, including organisational effectiveness, performance monitoring, implementation of corporate policies and strategies, as well as resource allocations.

The role of management is to support the MD and Executive Directors.

The Independent Non-Executive Directors are independent from management and free from any significant business or other relationship with the Company and the Group. They are able to provide an unfettered and unbiased independent judgement to promote good corporate governance.

To ensure the effective discharge of its responsibilities, the Board delegates specific powers to other Board Committees and the management namely, Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee to ensure appropriate checks and balances in discharging its oversight function. These committees operates under clearly defined terms of references as approved by the Board to oversee and deliberate matters within their purview.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 1 – BOARD RESPONSIBILITIES (CONT'D)

Intended Outcome 1.0

- Every company is headed by a Board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (cont'd)

1.2 Chairman of the Board

The Chairman of the Board, Datuk Chin Goo Chai is an Independent Non-Executive Chairman and is responsible for the leadership, effectiveness, conduct and governance of the Board. The Chairman acts as a facilitator at the Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates any discussion. Together with the other Executive Directors and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management. He chairs the meetings of the Board and general meetings of the Company.

1.3 Separation of positions of Chairman and Managing Director ("MD")

The Chairman of the Board, Datuk Chin Goo Chai and the MD, Mr Liaw Chong Lin, both holds separate position.

The roles of the Chairman and MD are held by two different individuals with a clear division of responsibilities between them to ensure balance of control, power and authority. The Board has delegated its responsibilities for the day-to-day management of the Group's operations and business as well as the implementation of the Board's policies and decisions to the MD, Executive Directors and senior management of the Company.

The Chairman is responsible in leading the Board in its collective oversight of Management and ensure effectiveness of the Board matters whilst the MD is responsible for the Group's business performance and manages the Group in accordance with the strategies and policies approved by the Board.

1.4 Qualified and competent Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries who are the members of a professional body, the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and Licensed Secretaries ("LS"). Both also qualified to act as the Company Secretaries under Section 235(2) of the Companies Act, 2016.

The Company Secretaries play an advisory role to the Board and support the Board in ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with. The Board is regularly updated by the Company Secretaries on changes to the relevant statutory and regulatory requirements, particularly on areas relating to the duties and responsibilities and disclosure requirements of the Directors. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Senior Management.

The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions and duties.

1.5 Access to information and advice

All Board members have unrestricted access to advice and services from the Company Secretaries and senior management to enable them to discharge their duties effectively. The Directors also have access to the Internal and External Auditors of the Group, with or without the presence of the management, to seek explanations or additional information.

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, to ensure the Directors are able to make independent and informed decision, if considered necessary.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 1 – BOARD RESPONSIBILITIES (CONT'D)

Intended Outcome 1.0

- Every company is headed by a Board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. (cont'd)

1.5 Access to information and advice (cont'd)

The Board and/or Board Committees meeting papers are targeted to be circulated to the Board members not later than seven (7) days prior to the scheduled meetings to ensure sufficient time for all Board members to review and deliberate on such matters accordingly and, where required, to obtain further information and clarification to facilitate well-informed decision making during the meeting.

All matters raised, discussions, deliberations, decisions and conclusions including dissenting views made at the meeting are recorded in the minutes of meeting.

The Board is also regularly updated and kept informed by the Company Secretaries and the management on corporate disclosures and compliance with company and securities regulations and listing requirements such as restriction in dealing with the securities of the Company and updates on the latest developments in legislations and regulatory framework affecting the Group issued by the various regulatory authorities.

Intended Outcome 2.0

- There is demarcation of responsibilities between the board, board committees and management.
- There is clarity in the authority of the board, its committees and individual directors.

2.1 Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate. The Board Charter was reviewed and revised by the Board where necessary and it is available at the Company's website at www.bcmalliance.com.my.

The Board Charter is subjected to periodic review and update to ensure it remains consistent with the Group's policies and procedures, the Board's overall responsibilities as well as changes to the relevant legislation and regulations.

Intended Outcome 3.0

- The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.
- The Board, management, employees and other stakeholders are clear on what is considered acceptable behavior and practice in the company.

3.1 Code of Ethics and Conduct

The Board has developed a Code of Ethics and Conduct ("Code") to enhance the standard of corporate governance and corporate behaviour across the Group.

The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.bcmalliance.com.my.

3.2 Whistle-Blowing Policy

The Board also formalised a Whistle-Blowing Policy to provide avenue for all employees of the Group to raise their concerns and disclose any improper conduct within the Group and to take appropriate actions to resolve them effectively. The Whistle-Blowing Policy is available on the Company's website at www.bcmalliance.com.my.

On 15 May 2020, the Company has adopted the Anti-Corruption Policy and Guidelines, which is available on the Company's website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 2 – BOARD COMPOSITION

Intended Outcome 4.0

- Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

4.1 Board Composition

The Board consists of eight (8) members comprising four (4) Executive Directors (including the MD), three (3) Independent Non-Executive Directors and one (1) Non-Independent Executive Director. Currently one member of the Board is female gender. The present composition fulfills the requirement of the AMLR of Bursa Securities and also its board charter which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The profiles of each Director are set out in the Directors' Profile in this Annual Report 2019.

The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the Independent Directors are capable to exercise their independent judgment and to act in the best interests of the Company. The Board via its Nomination Committee conduct independent assessment of the Independent Directors. The Nomination Committee is satisfied with the results whereby all the Independent Directors fulfilled the criteria of "Independence" as prescribed under the AMLR of Bursa Securities

4.2 Board Meeting

The Board is scheduled to meet at least four (4) times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions are required to be made between the scheduled meetings. The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. During the year, the Board has deliberated on strategic plans and objectives, financial results, signification acquisitions and other matters reserved for Board.

In the intervals between Board Meetings, for any matters requiring urgent Board's decisions or approvals will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made and the same for the Board Committees. The Board decisions made at the Board meetings shall be by a majority as prescribed by the Constitution of the Company.

Proceedings of, and resolutions passed at each Board Meeting are documented in the minutes and signed by the Chairman at the subsequent Board Meeting. In addition to Board Meetings, the Board exercises control over matters that require Board approval through the circulations of Directors' Resolutions. These minutes and resolutions are kept at the registered office of the Company.

During the FYE 2019, five (5) Board meetings were held and the attendance of the Board members are as follows:

	Name of Directors	Total Meetings Attended	Percentage of Attendance
(a)	Datuk Chin Goo Chai	5/5	100%
(b)	Koh Lap Hing	5/5	100%
(c)	Liaw Chong Lin	5/5	100%
(d)	Hew Chun Shun	5/5	100%
(e)	Chung Eng Lam	5/5	100%
(f)	Lim Jit Wei	4/5	80%
(g)	Datin Latiffah Binti Endot	4/5	80%
(h)	Ng Kok Wah	3/5	60%

All Directors complied with the requirements of Rule 15.05(3)(c) of the AMLR which stipulates a minimum 50% attendance of the Board meetings held in a financial year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 2 – BOARD COMPOSITION (CONT'D)

Intended Outcome 4.0

- Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (cont'd)

4.3 Tenure of Independent Director

The Board is mindful that the recommendation in MCCG, the tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board as non-independent director. If the Board intends to retain an independent director beyond nine (9) years, it should justify and seek annual shareholders' approval.

The Board is also mindful of Practice 4.2 of the MCCG which require the Board to seek annual shareholders' approval through a two-tier voting process. If the Board continues to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Nomination Committee has undertaken a review and assessment of the level of independence of the Independent Directors during FYE 2019 and is satisfied that they are able to discharge their responsibilities in an independent manner.

The Nomination Committee carried out the evaluation of independence on each independent director annually. There are no independent directors who have exceeded a cumulative term of nine (9) years.

4.4 Policy of Independent Directors' Tenure

The Board does not have term limits for its Independent Directors and is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that the Independent Directors' continued contribution, especially their invaluable knowledge of the Group and its operations gained through the years, will provide stability and benefits to the Board and the Company as a whole. The caliber, qualification, experience and personal qualities, and importantly, the Director's integrity and objectivity in discharging his responsibilities in the best interest of the Company, predominantly determines the ability of the Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmation on their independence, will be able to determine if they can continue to bring independent and objective judgement on Board deliberations and decision making.

4.5 Diversity of Board and Senior Management

The Company does not practice any form of gender, ethnicity and age group biasness as all candidates for either Board or Senior Management team shall be given fair and equal treatment.

The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group.

Notwithstanding with the above, the Board affirms its commitment to boardroom diversity as a truly diversified board can enhance the board's effectiveness, perspective, creativity and capacity to thrive in good times and to weather the tough times.

In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Currently, our Board comprise of one (1) female director which in line towards achieving the country's aspirational target of achieving 30% representation of women on boards.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 2 – BOARD COMPOSITION (CONT'D)

Intended Outcome 4.0

- Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (cont'd)

4.6 Gender Diversity

As mentioned above, the Board did not set specific targets on gender diversity for the Company but endeavor to improve the number of women directors on the Board, based on pre-determined skill sets and competencies.

4.7 New Candidates for Board Appointment

The Nomination Committee is responsible for making recommendations for the appointment of Directors to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills, experience, knowledge, competencies and other necessary qualities including gender diversity to the Board.

4.8 Criteria for Recruitment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Company maintains on adequate number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help to assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates, consideration will be based on the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of professional knowledge, skills, experience and diversity (including gender diversity), understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

(i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
(ii) The Nomination Committee determines skills matrix;
(iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
(iv) The Nomination Committee recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director includes:

(i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
(ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 2 – BOARD COMPOSITION (CONT'D)

Intended Outcome 4.0

- Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. (cont'd)

4.9 Nomination Committee

The Nomination Committee is responsible for assessing the adequacy and appropriateness of the board composition, identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine the skill matrix to support the strategic direction and needs of the Company.

The present members of the Nomination Committee are as follows:

Chairman – Datuk Chin Goo Chai *(Independent Non-Executive Chairman)*
Member – Datin Latiffah Binti Endot *(Independent Non-Executive Director)*
Member – Ng Kok Wah *(Independent Non-Executive Director)*

The Nomination Committee is responsible for reviewing the Board's succession plans, training for Directors and assessing the effectiveness of the Board and Board Committees. Details of its Terms of Reference are available on the Group's website at www.bcmalliance.com.my.

The summary of activities undertaken by the Nomination Committee during the FYE 2019 included the following:

i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
ii) Reviewed and recommended the re-election of the retiring Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution;
iii) Assessed and evaluated the level of independence of Independent Directors; and
iv) Reviewed the terms of office of the Audit Committee and each member of the Audit Committee.

4.10 Directors' Training

All the Directors have completed the Mandatory Accreditation Programme required by Bursa Securities.

The Board is aware of the importance and benefits of attending and participating in training and continuing education programmes aimed at enhancing the Directors' knowledge, skills and level of contribution to the Company.

During the FYE 2019, most of the Directors had attended/participated the following training and briefing:

No.	Seminars / Conferences / Training Programmes Attended	
1.	11 March 2019	Annual Report – What a Director must know
2.	26 – 28 September 2019	Capital Wisdom & Fund-Raising Workshop
3.	4 October 2019	ISQC 1 and Risk-based Audit Methodology (RBA)
4.	18 October 2019	Malaysia Private Entities' Reporting Standard (MPERS)

Saved as disclosed above, others Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to travelling for business overseas and their occupied working schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

The Board (via the Nomination Committee and with the assistance of the Company Secretaries) shall continue to evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 2 - BOARD COMPOSITION (CONT'D)

Intended Outcome 5.0
- Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

5.1 Annual assessment of the Directors, Board as a whole and Board Committees

The Nomination Committee is required to assess the Board's effectiveness in terms of its composition, roles and responsibilities, and whether the Board Committees have discharged their functions and duties in accordance with the terms of reference. The Nomination Committee assesses the composition of the Board on annual basis to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision making. All assessments and evaluations carried out by the Nomination Committee in discharging its functions have been well documented.

During the FYE 2019, the Nomination Committee conducted an annual assessment of its Directors and the effectiveness of the Board of Directors as a whole in terms of Board composition, quality of information and decision making, boardroom activities and Board's relationship with management. It also assessed the Directors who are subject to retirement by rotation at the forthcoming 5th Annual General Meeting in accordance with the provisions of the Constitution of the Company. Upon recommendation by the Nomination Committee of the proposed retirement by rotation of the relevant directors, the Board had recommended and supported the retirement by rotation of the relevant Directors to be tabled at the 5th Annual General Meeting for shareholders' approval.

PRINCIPLE A: PART 3 -REMUNERATION

Intended Outcome 6.0
- The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.
- Remuneration policies and decisions are made through a transparent and independent process.

6.1 Remuneration Policy

In general, the remuneration is structured to rewards the corporate and individual performance, as in the case of the Executive Directors and Senior Management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

The Board does not have any formal remuneration policy. Notwithstanding that, in determining the remuneration packages of Executive Directors and Senior Management, the Remuneration Committee has considered the compensation and benefits which commensurate with the level of the Executive Directors and Senior Management's responsibilities and performance, as well as taking into consideration the Group's performance relative to the industry. The Executive Directors are not entitled to annual fee or allowance nor they are entitled to receive any meeting allowances for the Board and Board Committees Meetings they attended.

The Board collectively determines the remuneration for the Non-Executive Directors to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions including the number of the scheduled meetings for the Board, board of subsidiaries and Board committees; and competitive compared with the prevalent market practices. Each of the Non-Executive Directors abstains from deliberating and voting on his own remuneration.

For the FYE 2019, the Remuneration Committee had performed its duty to assess annually the remuneration package of its Executive Directors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 3 – REMUNERATION (CONT'D)

Intended Outcome 6.0
- The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.
- Remuneration policies and decisions are made through a transparent and independent process. (cont'd)

6.2 Remuneration Committee

The Remuneration Committee of the Company comprises of all Non-Executive Directors and majority of whom are Independent Directors. Its composition is as follows:-

Chairperson – Datin Latiffah Binti Endot *(Independent Non-Executive Director)*
Member – Datuk Chin Goo Chai *(Independent Non-Executive Chairman)*
Member – Koh Lap Hing *(Non-Independent Executive Deputy Chairman)*

The Remuneration Committee is primarily responsible for recommending the policy and framework of the remuneration of the directors and senior management, including the terms and remuneration of the executive director(s), to the Board in order to align with the business strategy and long-term objectives of the Company. The remuneration of directors and senior management is determined at levels which enable the Company to attract and retain Directors and senior management with the relevant experience and expertise to govern the Group effectively.

The summary of activities undertaken by the Remuneration Committee during the FYE 2019 included the following :

(a) reviewed and recommended the payment of Bonus for the FYE 2019 to the Executive Directors;
(b) reviewed and recommended the payment of Long Service Bonus for the FYE 2019 to the Executive Directors;
(c) reviewed and recommended the payment of the remuneration packages of the Executive Directors;
(d) reviewed and recommended the payment of Directors' fees to Non-Executive Directors; and
(e) reviewed the Terms of Reference of the Remuneration Committee, where necessary.

Intended Outcome 7.0
- Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

7.1 Details of the remuneration of Directors

Pursuant to the Section 230 of the Companies Act, 2016, a general meeting shall approve the fees of the Directors and any benefits payable to the directors of a listed company and its subsidiaries.

Details of the aggregate remuneration of Directors for the FYE 2019 are as follows:-

	Company		Group	
	Fees (RM)	Salaries and other emoluments (RM)	Fees (RM)	Salaries and other emoluments (RM)
Executive Directors	–	429,000	12,000	3,115,814
Non-Executive Directors	150,000	4,500	162,000	4,500
	150,000	433,500	174,000	3,120,314

- other emoluments include the meeting allowance for the Directors' attendance at Board and Board's Committee Meetings.

The fees and allowances for Non-Executive Directors are determined by the Board and are subject to the approval of the shareholders of the Company.

The breakdown of the detailed Directors' fees and other benefits paid during the year under review is disclosed in the Corporate Governance Report which is accessible to the public for reference at the Company's website, www.bcmalliance.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PRINCIPLE A: PART 3 - REMUNERATION (CONT'D)

Intended Outcome 7.0
- Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance. (cont'd)

7.2 Remuneration of Senior Management

In determining the remuneration packages of the Senior Management personnel, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents.

The Company believes it may not be in its best interest to disclose the information on the remuneration on the named basis of each member of the Senior Management Personnel, having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Group's business activities.

The remuneration of the Senior Management personnel is combination of annual salary, bonus and benefits-in-kind are determined in a similar manner as other management employee of the Company. The basis of determination has been consistently applied and is based on individual performance, the overall performance of the Company and benchmarked against other companies operating in similar industry.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PRINCIPLE B: PART 1 – AUDIT COMMITTEE

Intended Outcome 8.0
- There is an effective and independent Audit Committee.
- The board is able to objectively review the Audit Committee's findings and recommendations.
- The company's financial statement is a reliable source of information.

8.1 The Chairman of the Audit Committee is not the Chairman of the Board

The Company is complied with the Practice 8.1 of the MCCG which stipulates the Chairman of the Audit Committee is not the Chairman of the Board.

The Audit Committee is chaired by Mr Ng Kok Wah, an Independent Non-Executive Director, who is not the Chairman of the Board.

8.2 Former audit key partner

Practice 8.2 of the MCCG requires the Audit Committee to have a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as member of the Audit Committee.

The Terms of Reference of the Audit Committee has been updated accordingly.

8.3 Composition of Audit Committee

The composition of the Audit Committee meets the requirements of Rule 15.09(1)(a) and (b) of the AMLR of Bursa Securities. All members of the Audit Committee are believed to be able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as member of the Audit Committee.

The Nomination Committee is satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee's Terms of Reference and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PRINCIPLE B: PART 1 – AUDIT COMMITTEE (CONT'D)

Intended Outcome 8.0
- There is an effective and independent Audit Committee.
- The board is able to objectively review the Audit Committee's findings and recommendations.
- The company's financial statement is a reliable source of information. (cont'd)

8.3 Composition of Audit Committee (cont'd)

All members of the Audit Committee are mindful that they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The composition of the Audit Committee, its terms of reference, attendance of meetings by the individual members and the summary of activities are set out in the Audit Committee Report on pages 47 to 49 of this Annual Report 2019.

8.4 Suitability, objectivity, and independent of the external auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The Audit Committee reviews the terms of engagement for services provided by the External Auditors prior to submission to the Board for approval. The Audit Committee reviews the effectiveness and performance of the External Auditors annually.

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration the following:

i) adequacy of experience and resources of the External Auditors;
ii) External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
iii) nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non- audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' approval at the Annual General Meeting by the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Directors and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the FYE 2019.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs. UHY as the External Auditors of the Company for the FYE 2019.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PRINCIPLE B: PART 2 – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Intended Outcome 9.0

- Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.
- The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

9.1 Effective Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to assess current and emerging risks and to respond to risks affecting the Group.

As an effort to enhance the system of internal control, the Board adopted an on-going monitoring and review of the existing risk management process in the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

9.2 Adequacy and Effectivenessof the Risk Management and Internal Control

The internal audit function of the Company is effective and remains independent all the time. The internal audit function is set out in the Statement on Risk Management and Internal Control and Audit Committee Report.

Internal Auditors reports functionally to the Audit Committee and has unrestricted access to the Audit Committee. Its function is independent of the activities or operations of other operating units. Internal Auditors periodically evaluates the effectiveness of the risk management process, reviews the operating effectiveness of the internal controls system and compliance control within the Group. The Internal Auditors are invited to attend the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are tabled to the Board for information and serves as a reference.

The information on the Group's internal control is further elaborated in pages 50 to 54 on the Statement on Risk Management and Internal Control of this Annual Report.

9.3 Risk Management Committee

The Board had on 26 November 2019 established a Risk Management Committee. The composition of the Risk Management Committee is as follows:-

Chairperson – Datin Latiffah Binti Endot *(Independent Non-Executive Director)*
Member – Ng Kok Wah *(Independent Non-Executive Director)*
Member – Chung Eng Lam *(Executive Director)*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PRINCIPLE B: PART 2 – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

Intended Outcome 10.0
- Companies having an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

10.1 Internal Audit Function

The Group outsourced its internal audit function to an independent professional firm, Eco Asia Advisory Sdn Bhd. The outsourced Internal Auditors report directly to the Audit Committee and provide the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

The internal audit review of the Group's operations encompasses an independent assessment of the Company's compliance with its internal controls and recommendations are made for further improvement.

During the FYE 2019, the Audit Committee had reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced Internal Auditors and that they have the necessary authority to carry out their work.

The total costs of the internal audit function in FYE 2019 was RM28,000.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PRINCIPLE C: PART 1 – COMMUNICATION WITH STAKEHOLDER

Intended Outcome 11.0
- There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.
- Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

11.1 Effective, transparent and regular communication with its stakeholders

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company to the regulators, shareholders and stakeholders. The Company has identified persons authorised and responsible to approve and disclose material information to shareholders and stakeholders to ensure compliance with the Listing Requirements. The Board has delegated the authority to the Executive Directors to approve all announcements for release to Bursa Securities. The Executive Directors work closely with the Board, the senior management and the company secretaries who are privy to the information to maintain strict confidentiality of the information.

The Company continues to recognise the importance of transparency and accountability to its shareholders and investors. The Board always ensures that the shareholders are informed of the financial performance and major corporate activities of the Company. Such information is communicated to shareholders and investors through various disclosures and announcements to Bursa Securities, including the quarterly financial results, annual reports and where appropriate, circulars and press releases.

Apart from the mandatory announcements through Bursa Securities, the Company also maintains a website www.bcmalliance.com.my to which shareholders and investors can have access to information on the operations and business activities of the Group.

Investor relations activities such as meetings with fund managers and analysts and interviews by the press are held at appropriate time to explain the Group's strategy, performance and major developments.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PRINCIPLE C: PART 1 – COMMUNICATION WITH STAKEHOLDER (CONT'D)

Intended Outcome 11.0

- There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.
- Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility. (cont'd)

11.1 Effective, transparent and regular communication with its stakeholders (cont'd)

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the AMLR. It also adopts the recommendations of the MCCG with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. The contents and disclosure requirements of the annual report are also governed by the AMLR.

PRINCIPLE C: PART 2 – CONDUCT OF GENERAL MEETINGS

Intended Outcome 12.0

- Shareholders are able to participate, engage the board and senior management effectively and make informed voting decision at General Meetings.

12.1 Annual General Meeting

General meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests. The Company Secretaries, by order of the Board, served a notice of Annual General Meeting to all shareholders of the Company at least 28 days prior to its forthcoming Annual General Meeting to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the Annual General Meeting. Notice of the Annual General Meeting clearly sets out details of the resolutions proposed accompanying with explanatory notes on the rationale of each resolution to enable the shareholders to make informed decision in exercising their voting rights.

The Notice of the Annual General Meeting also provides information to the shareholders with regard to, amongst others their entitlement to attend the Annual General Meeting, the right to appoint a proxy and also the qualifications of a proxy.

The Board also encourages other channels of communication with shareholders. The Board will ensure that the general meetings of the Company are conducted in an efficient manner and serve as a platform for shareholders' communication. These include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the general meetings.

All resolutions set out in the Notice of the Annual General Meeting were put to vote by poll. The outcome of all resolutions proposed at the general meetings would be announced to Bursa Securities at the end of the meeting day. A summary of the key matters discussed at the Annual General Meeting (if any) will be published on the Company's website for the shareholders' information.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PRINCIPLE C: PART 2 – CONDUCT OF GENERAL MEETINGS (CONT'D)

Intended Outcome 12.0

- Shareholders are able to participate, engage the board and senior management effectively and make informed voting decision at General Meetings. (cont'd)

12.2 Poll Voting

In line with Rule 8.31A of the AMLR, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

12.3 Attendance in General Meetings

The general meeting also serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the question-and-answer session with the Board personally and exercise their right to vote on the proposed resolutions.

The Board will ensure that all Board members, particularly the chairman/chairperson of each Board committee will make their endeavors to attend general meeting to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders.

The external auditors will be present at the Annual General Meeting to respond to any queries from shareholders on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

12.4 Encourage Shareholder Participation at General Meeting

The Company allows a member to appoint a proxy who may not be a member of the Company. If the proxy is not a member of the Company, he/she need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. A member, including an Authorised Nominee and an Exempt Authorised Nominee which holds securities in the Company for an Omnibus Account, may appoint one (1) or more proxies to attend on the same occasion. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. The Constitution of the Company further accord proxies the same rights as members to speak at the general meeting. Essentially, a corporate representative, proxy or attorney is entitled to attend, speak and vote both on a show of hands and on a poll as if they were a member of the Company.

COMPLIANCE STATEMENT

The Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and practices set out in the MCCG as well as the relevant AMLR for the FYE 2019. Any practices in the MCCG which have not been implemented during the financial year will be reviewed by the Board and implemented where possible and relevant to the Group's business.

This Statement is made in accordance with the resolution of the Board dated 16 June 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provision of the Companies Act, 2016 and the AMLR of Bursa Securities.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and their cash flows for the financial year then ended.

In preparing the financial statements, the Directors have taken steps to ensure that:-

i) the Group and the Company have adopted appropriate accounting policies which have been consistently applied;
ii) the judgments and estimates made are reasonable and prudent;
iii) all approved accounting standards which are applicable in Malaysia have been complied with; and
iv) the financial statements prepared on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible for ensuring that proper accounting records, which disclose with a reasonable degree of accuracy the financial position of the Group and of the Company, are maintained in compliance with the provisions of the Companies Act, 2016.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Additionally, the Directors have relied on the systems of risk management and internal control to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

AUDIT COMMITTEE REPORT

The Audit Committee of BCM is pleased to present the Audit Committee Report for the FYE 2019.

COMPOSITION OF AUDIT COMMITTEE

The current members of the Audit Committee are as follows:

Chairman
Ng Kok Wah - Independent Non-Executive Director

Members
Datuk Chin Goo Chai - Independent Non-Executive Chairman
Datin Latiffah Binti Endot - Independent Non-Executive Director

The Chairman of the Audit Committee, Mr Ng Kok Wah is an Independent Non-Executive Director. In this respect, the Company complies to Rule 15.10 of the AMLR of Bursa Securities. Furthermore, in compliance with Practice 8.1 of the MCCG, the Chairman of the Audit Committee is not the Chairman of the Board. No alternate Director is appointed as a member of the Audit Committee.

TERM OF REFERENCE

The Terms of Reference of the Audit Committee was last reviewed on 19 April 2019, which is in line with AMLR of Bursa Securities and MCCG. A copy of the latest Terms of Reference of the Audit Committee is available for viewing at the Company's website at www.bcmalliance.com.my.

NUMBER OF AUDIT COMMITTEE MEETINGS AND DETAILS OF ATTENDANCE

During the FYE 2019, the Audit Committee held a total of five (5) meetings. The details of the attendance of each Audit Committee member are as follows:

Audit Committee members	No. of meetings attended
Ng Kok Wah	3/5
Datuk Chin Goo Chai	5/5
Datin Latiffah Binti Endot	4/5

The Nomination Committee reviewed the performance of the Audit Committee once during FYE 2019.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FYE 2019

The activities of the Audit Committee for the FYE 2019 are as follows:-

(i) Financial Performance and Reporting

- Reviewed the unaudited quarterly report on consolidated financial results including the announcement pertaining thereto, before recommending the same to the Board for consideration, approval and release the same to Bursa Securities. The Audit Committee ensured the unaudited quarterly report were prepared in compliance with Rule 9.22 and Appendix 9.22 of the AMLR;

- Reviewed the annual audited financial statements of the Company and of the Group ("AFS") to ensure the said AFS were drawn up in accordance with the Malaysian Financial Reporting Standards before recommending to the Board for consideration and approval;

- Reviewed and deliberated on audit issues raised by the external auditors and the action plans required to address those issues;

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FYE 2019 (CONT'D)

(i) Financial Performance and Reporting (Cont'd)

- Reviewed related party transactions that may arise within the Group and the adequacy of the Company's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner; and

- Noted emerging financial reporting issues pursuant to the introduction of new accounting standards, as well as additional statutory, legal and regulatory disclosure requirements.

(ii) Internal Audit

- Reviewed and approved the annual internal audit plan presented by the Internal Auditors after being satisfied with the content suitability, adequacy and scope of coverage;

- Reviewed the internal audit reports, which highlighted audit issues, recommendations and management responses;

- Reviewed the follow-up reports prepared by the Internal Auditors on the status of actions taken by the management on recommendations suggested in the internal audit reports;

- Discussed with the management on actions taken to improve the systems of internal control based on the recommendations and findings identified in the internal audit reports and made necessary recommendations to the Board for approval; and

- Evaluated the effectiveness and independence of the internal audit function in carrying out its responsibilities in respect of risk management, internal control and governance.

(iii) External Auditors

- Reviewed and discussed with the external auditors their Audit Planning Memorandum for the FYE 2019;

- Reviewed the AFS and the External Auditor findings and recommendations;

- Met with the external auditors without the presence of the management team to discuss issues of concern to the external auditors arising from the annual statutory audit;

- Reviewed other significant matters and unusual events or transaction highlighted by the External Auditors as well as how these significant matters are addressed; and

- Evaluated the performance of the External Auditors and recommend for re-appointment. The Audit Committee had considered and reviewed the External Auditors' experience, resources availability, independence, non-audit services, timing for fieldwork and delivery of reports, working relationship with Management, appropriateness of audit fees and their willingness to continue in office for the next financial year.

(iv) Corporate Governance

- Reviewed the impact of the relevant regulatory changes and ensured compliance by the Company and the Group;

- Reviewed and recommended the Audit Committee Report and Statement of Risk Management and Internal Control for inclusion in the Annual Report to ensure the contents therein are accurate and in compliance with the AMLR of Bursa Securities to the Board for approval; and

- Reviewed the Terms of Reference of Audit Committee to ensure it is in line with the MCCG and AMLR of Bursa Securities to the Board for approval.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FYE 2019 (CONT'D)

(v) Risk Management

- Reviewed and endorsed the risk management frameworks, guidelines and other key components of risk management for implementation within the Company and throughout the Group; and

- Reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

INTERNAL AUDIT FUNCTION

The Group has outsourced and appointed an internal audit service provider, Eco Asia Advisory Sdn. Bhd. to carry out the Internal Audit function.

The purpose of the internal audit function is to provide the Board, through the Audit Committee, reasonable assurance of the effectiveness of the system of internal control in the Group.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

For the FYE 2019, the summary of activities undertaken by the Internal Auditors comprised the following:-

a) Reviewed compliance with policies, procedures and standards, relevant external rules and regulations;

b) Assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary;

c) The internal audits performed met the objective of highlighting to the Audit Committee the audit findings which required follow-up actions by the Management, any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system within the Group, as well as any weaknesses in the Group's internal control system;

d) Ensured that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the Management; and

e) Presentation of audit findings and corrective actions to be taken by Management in the Audit Committee Meetings.

The Internal Auditors conducted two (2) internal audit cycles during FYE 2019, as follows:

a) Human Resource Management; and
b) Fixed Assets Management.

The total costs incurred by the Company for the outsourced internal audit function of the Group for the FYE 2019 amounted to RM28,000.00 (2018: RM28,000.00).

This Audit Committee Report was approved by the Board on 16 June 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The MCCG 2017 sets out one of the key responsibilities of the Board of Directors of a listed company is to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures to safeguard shareholders' investment and assets of the Group. This is intended that business decisions are made based on appropriate risk taking to achieve a proper balance between risks incurred and potential returns to shareholders in accordance with the Group's acceptable risk appetite and risk tolerance.

The Board of BCM Alliance Berhad is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the AMLR of Bursa Securities and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("The Guidelines") which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility and is committed to maintain a sound risk management and internal control system within the Group; and regularly reviews its adequacy, effectiveness and integrity to achieve the Group's corporate objectives and strategies and so as in safeguarding shareholders' investment and the Group's assets.

The system of risk management and internal control covers not only financial aspect but also operational and compliance aspect of the Group. Due to the limitations that are inherent in any system of internal control, such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable but not absolute assurances against material misstatement or loss.

The Board is assisted by MD, Executive Directors and management team in implementing the Board approved policies and procedures on risk and control by identifying and analysing risk information; designing, operating suitable internal controls to manage and control these risks; and monitoring effectiveness of risk management and control activities.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies and the process has been in place during the financial year and up to the date of approval of the Statement. It should be noted that these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board and Management ensure that the risk management and internal control framework is embedded into the culture, processes and structures of the Group. The framework is responsive to changes in the business environment and clearly communicated to all key management personnel.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to newly established Risk Management Committee. Risk Management Terms of Reference has clearly defined Risk Management Committee's line of accountability and authority to assist the Board in reviewing the adequacy, integrity and effectiveness of risk management framework within the Group, and to ensure adequate resources are channeled to obtain the level of assurance required by the Board.

They are responsible to identify business risks, implementing appropriate systems of internal controls to manage these risks and ensuring that there is an on-going programme to continuously assess, monitor and manage the principal risk of the Group.

The risk assessment methodology adopted consists of following core elements combined to provide the definition of effective business risk assessment:-

a. Determine Risk Policy;
b. Risk Identification;
c. Risk Assessment;
d. Risk Evaluation;
e. Risk Treatment; and
f. Risk Monitoring.

RISK MANAGEMENT (CONT'D)

Based on Risk Management Policies and Framework adopted and approved by the Board of Directors, the Risk Management Committee have delegated the responsibilities of identifying Key Risks of the Group to the respective "Risk Management Business Units" and "Risk Owners" whereby the Risk Owners are required to report the Key Risks of the Group with proposed action plans to the Risk Management Committee for review and consideration.

The Key Risks of the Group with proposed action plans have been updated and presented to the Risk Management Committee during the financial year.

INTERNAL CONTROL

The Board receives and reviews regular reports from the Management on key financial data, performance indicators and regulatory matters. This is to ensure that matters requiring the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Besides, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

Issues relating to the business operations are highlighted to the Board's attention during Board meetings. Further, independent assurance is provided by the Group's external auditors, internal audit function and the Audit Committee to the Board. The Audit Committee reviews internal control matters and update the Board on significant control gaps for the Board's attention and action.

The key salient features of the Group's systems of internal controls are as follows:-

- **Board of Directors/Board Committees**

  Board Committees (i.e. Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee) have been established to carry out duties and responsibilities delegated by the Board and are governed by written terms of reference.

  Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspectives. Business plans and business strategies are proposed by the Executive Directors to the Board for their review and approval after taking into account risk consideration and responses.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in formal Code of Conduct as contained in the Board Charter established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

- **Organisation Structure and Authorisation Procedure**

  The Group has a formal organisation structure in place to ensure appropriate level of authority and responsibilities are delegated accordingly to competent staff in achieving operational effectiveness and efficiency.

  The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated accordingly to competent staff to ensure operational efficiency. Furthermore, there is close involvement in daily operations of the Group by the MD and Executive Directors.

  The authorisation requirement of the key internal control points of key business processes are included as part of the policies and procedures established by the Group.

- **Policy and Procedure**

  The Group has documented policies and procedures in compliance with its International Organisation for Standardisation ("ISO") certifications with authorisation requirement for key processes are stated therein.

  For business processes not under the ISO certifications, the Management develops and maintains documented process flow for key business processes employed with relevant authorisation requirement, if applicable.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL (CONT'D)

- **Policy and Procedure (Cont'd)**

  The clear and documented internal operating procedures/policies are in place to ensure compliance with the internal controls and relevant laws and regulations. These internal operating procedures/policies are being review at least once in every two years or as and when the circumstances warrants to ensure that these documentations remain current and relevant.

- **Human Resource Management**

  The Group put in place consistent human resource practice throughout the Group to ensure the Group's ability to operate in an effective and efficient manner. The Group employ and retain adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

- **Information and Communication**

  At operational level, clear reporting lines established across the Group operation and management reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision.

  Apart from that, relevant financial and management reports such as sales analysis, trade payables aging analysis, trade receivables aging analysis and stock aging analysis will be discussed in departmental level while profit and loss analysis, balance sheet analysis, ratio analysis and cash flow planning are generated for senior management to review and decide.

  The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised information system, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making. It is also for communication with relevant external stakeholders for execution and information collection via company website and dedicated Public Relation Officer.

  External Bodies Certification

  - Best Contact is certified and is in compliance with the **ISO 9001:2015 (Quality Management System), ISO 13485:2016 (Medical devices — Quality management system — Requirements for regulatory purposes), Good Distribution Practice for Medical Device (Regulatory Compliance System) and Medical Device Regulations 2012**.

  - Maymedic is certified and is in compliance with the **ISO 9001:2015 (Quality Management System), Good Distribution Practice for Medical Device (Regulatory Compliance System) and Medical Device Regulations 2012**.

  - CS Laundry is certified and is in compliance with the **ISO 9001:2015 (Quality Management System)**.

  - Cypress is certified by MedCert, complying to **Goods Distribution Practice for Medical Device (Regulatory Compliance System) and Medical Device Regulations 2012**.

- **Monitoring and Review**

  Periodical management meetings are held to discuss and review financial and operational performance of key divisions/ departments of the Group.

  Apart from the above, the quarterly financial performance review containing key financial results and previous corresponding financial results are presented to the Audit Committee for review and the Board for approval for public release.

  Furthermore, internal audits are carried out by the internal audit function (which reports directly to the Audit Committee) to assess the adequacy and effectiveness of internal controls in relation to specific critical control processes and highlights significant risks impacting the Group to the Audit Committee as well as recommending improvements to various processes to minimise the risks.

  The monitoring of compliance with relevant laws and regulations are further enhanced by independent review of specific areas of safety, health and environment by independent consultants engaged by the Group and/or relevant regulatory bodies.

INTERNAL AUDIT

The Group's internal audit function is outsourced to Eco Asia Advisory Sdn. Bhd. to assist the Audit Committee and the Board in providing independent professional assessment on the adequacy, efficiency and effectiveness of the Group's risk management practices and internal control systems.

Our internal audit reports directly to the Audit Committee and the internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.

Generally, the internal controls review procedures performed by our outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls by the outsourced internal audit function through review of the samples selected.

During FYE 2019, the internal auditor has conducted internal control reviews on Human Resource Management and Fixed Assets Management for all four (4) of its subsidiaries in accordance to the internal audit plan.

Upon the completion of the internal audit field work during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans were presented and deliberated by the Audit Committee. Update on the status of action plans as identified in the previous internal audit report were presented at subsequent Audit Committee meeting for review and deliberation.

The cost incurred in maintaining the outsourced internal audit function for the FYE 2019 amounted to RM28,000.

ASSURANCE PROVIDED BY MD, EXECUTIVE DIRECTORS AND MANAGEMENT TEAM

The Board has also received assurance from the MD, Executive Directors and management team that the Group's risk management and internal control systems are satisfactory, have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the year under review and without resulting in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Nonetheless, the Board recognises that the internal control system should be continuously improved in line with the evolving business environment. It should be noted generally that all risk management and internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the Group's risk management and internal control system can only provide reasonable, but not absolute assurance against material misstatements, frauds, losses or other significantly adverse consequences.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the AMLR of Bursa Securities, the External Auditors have reviewed this Statement on Internal Control for inclusion in this Annual Report for the FYE 2019. Their review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all aspects, in accordance with the disclosures required by paragraph 42 and 43 of the Guidelines to be set out, nor is factually inaccurate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's Risk Management and Internal Control system, to safeguard the Group's assets and minimize its losses and liabilities. The Board has received assurance from the MD, Executive Directors and management team that the Group's Risk Management and Internal Control system operated adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The Board will continue to evaluate and manage the significant business risks faced by the Group and put in place appropriate action plans and controls to further enhance the system of risk management and internal control system to ensure that the Group's risk management practices and system of internal control continuously evolve to meet the changing and challenging business environment.

This statement is made in accordance with the resolution of the Board of Directors on 16 June 2020.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE EXERCISE

The utilisation of the proceeds of RM16.01 million raised from the Public Issue in October 2016 was summarized below. The proceeds have been fully utilised in September 2019 (within the revised time frame for utilisation) in the following manner:-

Purpose	Approved Utilisation RM'000	Actual Uilised RM'000	Balance Unutilised RM'000	Revised time frame for utilisation (from the date of Listing)
i) Working capital requirements, comprising:-				
a) Purchase of brand new commercial laundry equipment and medical devices	8,837	8,837	–	Up to 24 months
b) Day-to-day working capital expenses	2,071	2,071	–	Up to 18 months
ii) Setting up chain of eleven (11) new Speed Queen self-service launderette outlets	2,600	2,600	–	Up to 36 months
iii) Estimated listing expenses	2,500	2,500	–	Within 1 month
	16,008	16,008	–	

There were no deviation between the approved utilisation amount and the actual utilised amount.

2. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2019 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	28,000	100,000
Non-Audit Services Rendered:-		
- Review of Statement on Risk Management and Internal Control	5,000	5,000
- Financial due diligence review in connection with the proposed acquisition on partial equity interest in Foodict Maker Sdn. Bhd.	25,000	25,000

3. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts and contracts relating to loan entered into by the Company and its subsidiaries involving Directors' and Major Shareholders' interest.

4. REVALUATION POLICY

The Company does not have a revaluation policy on landed properties.

REPORTS AND AUDITED FINANCIAL STATEMENTS 2019

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	5,376,783	993,520
Attributable to:		
- Owners of the parent	5,145,402	993,520
- Non-controlling interests	231,381	–
	5,376,783	993,520

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

Since the end of the last financial year, the Company paid:

	RM
A final single tier dividend of 0.20 sen per ordinary share in respect of the financial year ended 31 December 2018 on 12 July 2019	842,500

The Directors recommend the payment of a final single tier dividend of 0.10 sen per ordinary share in respect of the current financial year ended 31 December 2019, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

ISSUE OF SHARES AND DEBENTURES

There were no issuance of share or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors in office during the financial year until the date of this report are:

Koh Lap Hing *
Liaw Chong Lin *
Hew Chun Shun *
Chung Eng Lam *
Lim Jit Wei *
Datuk Chin Goo Chai *
Datin Latiffah Binti Endot
Ng Kok Wah

The Directors who held in office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year until the date of this report are:

Kew Kin Chee
Chong Wai Mun
Law Soo Chin

* Director of the Company and certain subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 in Malaysia is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
Interests in the Company	**At 1.1.2019**	**Bought**	**Sold**	**At 31.12.2019**
Direct interests				
Koh Lap Hing	39,675,900	–	–	39,675,900
Hew Chun Shun	43,495,600	–	–	43,495,600
Chung Eng Lam	37,771,700	–	–	37,771,700
Liaw Chong Lin	43,728,200	–	–	43,728,200
Lim Jit Wei	35,267,500	–	–	35,267,500
Datuk Chin Goo Chai	–	500,000	–	500,000
Ng Kok Wah	100,000	–	–	100,000

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 30(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 30(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM800,000 and RM12,477 respectively. No indemnity was given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

    (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

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

    (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

    (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

    (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

    (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

    (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

    (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

    (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligation as and when they fall due;

    (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

    (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 35 to the financial statements.

AUDITORS

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 June 2020.

LIAW CHONG LIN

HEW CHUN SHUN

KUALA LUMPUR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 66 to 130 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 June 2020.

LIAW CHONG LIN

HEW CHUN SHUN

KUALA LUMPUR

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Tang Fook Choy (MIA Membership No: 19663), being the officer primarily responsible for the financial management of BCM Alliance Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 66 to 130 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in the)
Federal Territory on 16 June 2020)

TANG FOOK CHOY

Before me,

No. W710
MOHAN A.S. MANIAM

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BCM ALLIANCE BERHAD

(Registration No. 201501009903 (1135238-U)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of BCM Alliance Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

Key Audit Matters

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

Key Audit Matters	How we addressed the key audit matters
1. Impairment on trade receivables	
The Group's trade receivables amounting to RM17.56 million, representing approximately 25% of the Group's total current assets as at 31 December 2019. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness and customer payment terms.	We obtained and evaluated the appropriateness of the Group's policy on management of credit risk and its credit exposures. We reviewed and evaluated the design, implementation and operating effectiveness of key controls over the administration and monitoring processes of credit control. We assessed the reasonableness of the methods and assumptions used by management in estimating the recoverable amount and impairment loss and tested the accuracy and completeness of the data used by the management. We reviewed the adequacy of the amount of impairment loss and enquired the management regarding the recoverability of a sample of trade receivables that are pass due but not impaired accounts and review of customers' correspondence. We reviewed the appropriateness of the indicators of impairment and disclosures made in accordance with MFRS 136 *Impairment of Assets*.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
2. Inventories valuation	
As at 31 December 2019, the Group has inventories amounting to RM17.28 million, representing approximately 25% of the Group's total current assets as at 31 December 2019. The judgement made by the Directors in determining an appropriate inventory valuation involves predicting the amount of future demand from customers as the sales in the Group is subject to customer's preference which is based on trends and there is a risk that the net realisable value lower than the cost. Besides that, judgements are also required to identify slow moving and obsolete inventories which need to be written down to their net realisable value.	We reviewed the valuation method of inventories in accordance with MFRS 102 *Inventories* and ascertained that inventories are stated at the lower of cost and net realisable value. We reviewed the management's assessment of net realisable value of the inventories and determined any inventories written down need to be made. We reviewed the inventory count procedures and attended the physical count at year end. We assessed the adequacy of the disclosures made in the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BCM ALLIANCE BERHAD

(Registration No. 201501009903 (1135238-U)) (Incorporated in Malaysia)
(CONT'D)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company'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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BCM ALLIANCE BERHAD

(Registration No. 201501009903 (1135238-U)) (Incorporated in Malaysia)

(CONT'D)

OTHER MATTERS

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

UHY
Firm Number: AF 1411
Chartered Accountants

LIM GE RU
Approved Number: 03360/03/2022 J
Chartered Accountant

KUALA LUMPUR
16 June 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-current assets					
Property, plant and equipment	4	11,542,301	11,983,893	15,956	359,431
Right-of-use assets	5	3,449,711	–	233,858	–
Investment in subsidiary companies	6	–	–	18,582,000	18,572,000
Amount due from subsidiary companies	7	–	–	793,990	–
		14,992,012	11,983,893	19,625,804	18,931,431
Current assets					
Inventories	8	17,277,143	17,616,751	–	–
Trade receivables	9	17,560,533	14,669,312	–	–
Other receivables	10	1,875,457	3,230,009	1,542,148	2,235,920
Amount due from subsidiary companies	7	–	–	10,554,974	10,301,788
Tax recoverable		769,466	972,107	84,000	97,544
Fixed deposits with licensed banks	11	1,767,007	1,142,238	–	–
Cash and bank balances		30,555,128	28,365,053	2,333,129	2,355,181
		69,804,734	65,995,470	14,514,251	14,990,433
Total assets		84,796,746	77,979,363	34,140,055	33,921,864
Equity					
Share capital	12	32,119,897	32,119,897	32,119,897	32,119,897
Merger reserves	13	(16,049,000)	(16,049,000)	–	–
Retained earnings	14	34,830,929	30,504,900	1,429,323	1,278,303
Equity attributable to owners of the parent		50,901,826	46,575,797	33,549,220	33,398,200
Non–controlling interests		2,622,902	2,554,052	–	–
Total equity		53,524,728	49,129,849	33,549,220	33,398,200
Non–current liabilities					
Finance lease payables	15	–	2,064,799	–	211,170
Lease liabilities	16	2,019,855	–	126,517	–
Bank borrowings	17	2,596,541	2,878,712	–	–
Deferred tax liabilities	18	210,545	305,261	–	3,788
		4,826,941	5,248,772	126,517	214,958
Current liabilities					
Finance lease payables	15	–	619,545	–	80,795
Lease liabilities	16	1,615,136	–	84,653	–
Bank borrowings	17	1,359,086	810,780	–	–
Contract liabilities	19	493,364	374,856	–	–
Trade payables	20	12,067,041	12,272,427	–	–
Other payables	21	10,910,450	9,523,134	379,665	227,911
		26,445,077	23,600,742	464,318	308,706
Total liabilities		31,272,018	28,849,514	590,835	523,664
Total equity and liabilities		84,796,746	77,979,363	34,140,055	33,921,864

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	22	103,753,323	92,545,970	3,569,020	3,099,908
Cost of sales		(73,255,219)	(61,448,687)	–	–
Gross profit		30,498,104	31,097,283	3,569,020	3,099,908
Other income		925,279	2,103,443	79,199	120,443
Administrative expenses		(22,422,037)	(21,116,476)	(2,597,888)	(2,058,121)
Net loss on impairment of financial instruments		(887,838)	(31,040)	–	–
Profit from operation		8,113,508	12,053,210	1,050,331	1,162,230
Finance costs	23	(607,682)	(593,253)	(47,055)	(15,271)
Profit before tax	24	7,505,826	11,459,957	1,003,276	1,146,959
Taxation	25	(2,129,043)	(2,995,758)	(9,756)	6,080
Profit for the financial year, representing total comprehensive income for the financial year		5,376,783	8,464,199	993,520	1,153,039
Total comprehensive income attributable to:					
Owners of the parent		5,145,402	8,224,440	993,520	1,153,039
Non-controlling interests		231,381	239,759	–	–
		5,376,783	8,464,199	993,520	1,153,039
Earning per share					
Basic earnings per share (sen)	26	1.22	1.95		
Diluted earnings per share (sen)	26	1.22	1.95		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the parent					
		Non-distributable		Distributable			
Group	**Note**	**Share capital RM**	**Merger reserves RM**	**Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2018, as previously reported		32,119,897	(16,049,000)	23,302,127	39,373,024	–	39,373,024
Effect of adopting MFRS 9	9	–	–	(571,263)	(571,263)	–	(571,263)
Effect of adopting MFRS 15	19	–	–	(381,360)	(381,360)	–	(381,360)
At 1 January 2018, as restated		32,119,897	(16,049,000)	22,349,504	38,420,401	–	38,420,401
Profit for the financial year, representing total comprehensive income for the financial year		–	–	8,224,440	8,224,440	239,759	8,464,199
Transactions with owners:							
Acquisition of subsidiary company	6(b)	–	–	–	–	2,314,293	2,314,293
Dividends to non-controlling interests		–	–	(69,044)	(69,044)	–	(69,044)
At 31 December 2018		32,119,897	(16,049,000)	30,504,900	46,575,797	2,554,052	49,129,849
At 1 January 2019, as previously reported		32,119,897	(16,049,000)	30,504,900	46,575,797	2,554,052	49,129,849
Effect of adopting MFRS 16	2(a)	–	–	(45,917)	(45,917)	(5,346)	(51,263)
At 1 January 2019, as restated		32,119,897	(16,049,000)	30,458,983	46,529,880	2,548,706	49,078,586
Profit for the financial year, representing total comprehensive income for the financial year		–	–	5,145,402	5,145,402	231,381	5,376,783
Transactions with owners:							
Dividends to owner of the Company	28	–	–	(842,500)	(842,500)	–	(842,500)
Dividends to non-controlling interests		–	–	69,044	69,044	(157,185)	(88,141)
At 31 December 2019		32,119,897	(16,049,000)	34,830,929	50,901,826	2,622,902	53,524,728

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

	Note	Attributable to owners of the parent		
		Non-distributable	Distributable	
		Share capital RM	Retained earnings RM	Total equity RM
Company				
At 1 January 2018		32,119,897	125,264	32,245,161
Profit for the financial year, representing total comprehensive income for the financial year		–	1,153,039	1,153,039
At 31 December 2018		32,119,897	1,278,303	33,398,200
At 1 January 2019		32,119,897	1,278,303	33,398,200
Profit for the financial year, representing total comprehensive income for the financial year		–	993,520	993,520
Transactions with owners:				
Dividends	28	–	(842,500)	(842,500)
At 31 December 2019		32,119,897	1,429,323	33,549,220

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities				
Profit before tax	7,505,826	11,459,957	1,003,276	1,146,959
Adjustments for:				
Bad debts written off	3,672	2,838	–	–
Depreciation of property, plant and equipment	883,738	1,411,876	11,541	108,371
Depreciation of right-of-use assets	1,423,770	–	100,225	–
Dividend income	–	–	(1,521,859)	(2,201,956)
Gain on disposal of property, plant and equipment	(70,964)	(229,422)	–	–
Gain on disposal of motor vehicles	(45,000)	–	–	–
Inventories written down	49,790	54,902	–	–
Inventories written off	80,099	–	–	–
Impairment losses on:				
- Trade receivables	140,049	31,040	–	–
- Other receivables	747,789	–	–	–
Interest expenses	607,682	593,253	47,055	15,271
Interest income	(461,976)	(486,562)	(79,199)	(120,443)
Property, plant and equipment written off	125,218	6,336	–	–
Reversal of impairment losses on trade receivables	–	(523,506)	–	–
Reversal of inventories written down	(11,316)	–	–	–
Unrealised loss/(gain) on foreign exchange differences	8,701	(91,988)	–	–
Negative goodwill written off	–	(689,648)	–	–
Operating profit/(loss) before working capital changes	10,987,078	11,539,076	(438,961)	(1,051,798)
Change in working capital:				
Inventories	348,873	(5,294,081)	–	–
Trade receivables	(3,034,942)	(2,232,833)	–	–
Other receivables	606,763	(992,124)	13,675	43,239
Contract liabilities	118,508	(6,504)	–	–
Trade payables	(214,087)	9,590,602	–	–
Other payables	1,299,175	1,810,184	151,754	121,645
	(875,710)	2,875,244	165,429	164,884
Cash generated from/(used in) operations	10,111,368	14,414,320	(273,532)	(886,914)
Interest paid	(607,682)	(593,253)	(47,055)	(15,271)
Interest received	461,976	486,562	79,199	120,443
Tax paid	(2,815,368)	(3,291,516)	(84,000)	(85,142)
Tax refund	810,439	362,540	84,000	–
	(2,150,635)	(3,035,667)	32,144	20,030
Net cash from/(used in) operating activities	7,960,733	11,378,653	(241,388)	(866,884)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(CONT'D)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from investing activities					
Acquisition of subsidiary company, net of cash acquired	6(b)	–	594,341	–	–
Purchase of share investment in subsidiary company	6(b)	–	–	–	(1,722,000)
Advances to subsidiary companies		–	–	(1,047,176)	(1,923,559)
Investment in newly incorporated subsidiary company	6(a)	–	–	(10,000)	–
Dividend received		–	–	2,201,956	780,000
Dividend paid to non-controlling interests		–	(69,044)	–	–
Proceeds from disposal of:					
- property, plant and equipment		75,204	306,188	–	–
- motor vehicles		45,000	–	–	–
Proceeds from disposal of other investment		–	4,392,657	–	–
Purchase of property, plant and equipment	4(b)	(3,271,373)	(2,662,945)	(2,149)	(19,739)
Purchase of motor vehicles	5(b)	(86,568)	–	–	–
Increase in fixed deposits pledged with licensed banks		(645,592)	(42,901)	–	–
Net cash (used in)/from investing activities		(3,883,329)	2,518,296	1,142,631	(2,885,298)
Cash flows from financing activities					
Dividend paid	28	(842,500)	–	(842,500)	–
Repayment of finance lease payables		–	(751,063)	–	(76,937)
Payment of lease liabilities		(1,331,787)	–	(80,795)	–
Proceeds from bank borrowings		529,516	198,866	–	–
Repayment of bank borrowings		(263,381)	(251,287)	–	–
Net cash used in financing activities		(1,908,152)	(803,484)	(923,295)	(76,937)
Net increase/(decrease) in cash and cash equivalents		2,169,252	13,093,465	(22,052)	(3,829,119)
Cash and cash equivalents at the beginning of the financial year		28,385,876	15,292,411	2,355,181	6,184,300
Cash and cash equivalents at the end of the financial year		30,555,128	28,385,876	2,333,129	2,355,181
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with licensed banks		1,767,007	1,142,238	–	–
Cash and bank balances		30,555,128	28,365,053	2,333,129	2,355,181
		32,322,135	29,507,291	2,333,129	2,355,181
Less: Fixed deposits pledged with licensed banks	11	(1,767,007)	(1,121,415)	–	–
		30,555,128	28,385,876	2,333,129	2,355,181

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at No. 13-12, Jalan Jalil Perkasa 13, Aked Esplanad, Bukit Jalil, 57000 Kuala Lumpur.

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following new MFRSs, new interpretations and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015 – 2017 Cycle:	Amendments to MFRS 3 Amendments to MFRS 11 Amendments to MFRS 112 Amendments to MFRS 123

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The adoption of the new MFRSs, new interpretations and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company, except for:

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede 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*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use ("ROU") asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows.

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease term end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

Impacts arising from the adoption of MFRS 16 on the financial statements:

Group	At 31.12.2018	MFRS 16 adjustments	As at 1.1.2019
Property, plant and equipment	11,983,893	(2,571,931)	9,411,962
Right-of-use assets	–	3,485,009	3,485,009
Total assets	11,983,893	913,078	12,896,971
Finance lease payables	2,684,344	(2,684,344)	–
Lease liabilities	–	3,664,874	3,664,874
Deferred tax liabilities	305,261	(16,189)	289,072
Total liabilities	2,989,605	964,341	3,953,946
Non-controlling interets	2,554,052	(5,346)	2,548,706
Retained earnings	30,504,900	(45,917)	30,458,983
Total equity	33,058,952	(51,263)	33,007,689

Company	At 31.12.2018	MFRS 16 adjustments	As at 1.1.2019
Property, plant and equipment	359,431	(334,083)	25,348
Right-of-use assets	–	334,083	334,083
Total assets	359,431	–	359,431
Finance lease payables	291,965	(291,965)	–
Lease liabilities	–	291,965	291,965
Total liabilities	291,965	–	291,965

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

	Group RM	Company RM
Operating lease commitment as at 31 December 2018	1,072,430	–
Discounted using the incremental borrowings rate at 1 January 2019	(56,359)	–
Add: Transfer from finance lease obligation upon initial application of MFRS 16	2,684,344	291,965
Less: Recognition exemption for short-term leases	(25,860)	–
Recognition exemption for lease of low-value assets	(9,681)	–
Lease liabilities recognised as at 1 January 2019	3,664,874	291,965

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 5.50% to 6.50%.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and for the Company:

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2020
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new MFRSs and amendments to MFRSs when they become effective.

The initial application of the abovementioned new MFRSs and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (CONT'D)

(b) Functional and presentation currency

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

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Satisfaction of performance obligations in relation to contracts with customers</u>

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and

(c) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

<u>Determining the lease term of contracts with renewal and termination options - Group as lessee</u>

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount of the property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the expected value method, whereby the transaction price is determined by reference to the sum of probability weighted amounts in a range of possible consideration amounts.

There is no significant financing as the period between the transfer of control of good or service to a customer and the payment date is always less than one year, and no non-cash consideration noted in the contracts with customers.

Provision for expected credit loss of financial assets at amortised cost

The Group reviews the recoverability of its receivables, include trade and other receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 9 and 10 respectively.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant 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 together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 18.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group and the Company have tax recoverable of RM769,466 (2018: RM972,107) and RM84,000 (2018: RM97,544) respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary companies are consolidated using the merger method of accounting as the business combination of the subsidiary companies involved an entity under common control except for business combination with Cypress Medic Sdn Bhd., which was accounted for under the acquisition method of accounting. Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(j)(i) on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(j)(i) on impairment of non-financial assets.

(b) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j)(i) on impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Building	2%
Furniture and fittings	10% - 20%
Office equipment	10% - 40%
Renovation	10%
Forklift	20%
Motor vehicles	20%
Computer	10% - 40%
Tools and equipment	10% - 20%
Show unit	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases

Policy applicable from 1 January 2019

(a) As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU 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 site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(j)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or at the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Motor vehicles	20%
Buildings	Over the remaining lease period
Office equipment	Over the remaining lease period

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

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 rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(b) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>As lessee</u>

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (Cont'd)

Policy applicable before 1 January 2019 (Cont'd)

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include trade and other receivables, amount due from subsidiary companies and fixed deposits with licensed banks, cash and bank balances.

(a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income

Debt instruments

A debt security is measured at fair value through other comprehensive income ("FVTOCI") if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial assets (Cont'd)

(b) Financial assets at fair value through other comprehensive income (Cont'd)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

Financial assets categorised as FVTOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as FVTOCI.

(c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment.

The Group and the Company have not designated any financial assets as FVTPL.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(f) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Inventories

Spare parts, consumables, equipments and accessories are stated at the lower of cost and net realisable value. The cost of inventories is determined on first-in-first-out basis and comprise costs of purchases and other costs incurred bringing the inventories to their present location and condition.

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, 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.

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 cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

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 only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (Cont'd)

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(k) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(l) Contract liabilities

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(o) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sale of goods

The Group operates a chain of distributor selling commercial laundry equipment and medical products. Revenue from sale of goods is recognised when control of the products has transferred, being at the point the customer purchases the goods at the distributor.

Following delivery of the goods to the customer's location, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes. Under the Group's standard contract terms, customers have a right of return but is subject to approve by management. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return, so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of inventories recognised in profit or loss. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with a credit term of 30 to 90 days, which is consistent with market practice.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

The Group recognises revenue from the following major sources: (Cont'd)

(b) Sale of other services

The Group offers its customers the option of purchasing other services including extended warranty, installation services, and maintenance along with the purchase of merchandise. Revenue is allocated to the service obligations and recognised over the period of performance of services to customers. When consideration is collected from customer in advance of services being performed, a contract liability is recognised. The contract liability would be recognised as revenue when the related services is rendered.

(c) Rendering of services

Revenue from services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. 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 liabilities and assets 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.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Forklift RM	Motor vehicles RM	Computer RM	Tools and equipment RM	Show unit RM	Total RM
2019										
Cost										
At 1 January 2019	6,210,061	473,993	628,146	1,591,581	26,000	5,009,945	497,255	1,892,100	128,834	16,457,915
Effect of adopting MFRS 16	–	–	–	–	–	(4,140,510)	–	–	–	(4,140,510)
Additions [Note 4(b)]	–	39,826	130,853	1,042,420	–	–	66,145	1,978,740	13,389	3,271,373
Disposals	–	(4,292)	–	–	–	(319,142)	(1,698)	–	–	(325,132)
Transfer to inventories	–	–	–	–	–	–	–	(159,932)	–	(159,932)
Written off	–	(32,898)	(154,908)	(131,390)	–	–	(79,485)	–	–	(398,681)
Reclassification	–	–	7,128	–	–	–	(44,978)	37,850	–	–
At 31 December 2019	6,210,061	476,629	611,219	2,502,611	26,000	550,293	437,239	3,748,758	142,223	14,705,033
Accumulated depreciation										
At 1 January 2019	682,352	196,458	344,576	173,777	26,000	2,411,429	340,483	288,705	10,242	4,474,022
Effect of adopting MFRS 16	–	–	–	–	–	(1,568,579)	–	–	–	(1,568,579)
Charge for the financial year	103,522	42,177	61,236	187,170	–	11,833	96,690	367,610	13,500	883,738
Disposals	–	(958)	–	–	–	(319,142)	(792)	–	–	(320,892)
Transfer to inventories	–	–	–	–	–	–	–	(32,094)	–	(32,094)
Written off	–	(32,855)	(132,945)	(29,156)	–	–	(78,507)	–	–	(273,463)
Reclassification	–	–	5,048	–	–	–	(42,898)	37,850	–	–
At 31 December 2019	785,874	204,822	277,915	331,791	26,000	535,541	314,976	662,071	23,742	3,162,732
Carrying amount										
At 31 December 2019	5,424,187	271,807	333,304	2,170,820	–	14,752	122,263	3,086,687	118,481	11,542,301

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land and building RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Forklift RM	Motor vehicles RM	Computer RM	Tools and equipment RM	Show unit RM	Total RM
2018										
Cost										
At 1 January 2018	6,210,061	242,165	412,847	637,726	26,000	4,535,205	296,500	884,705	–	13,245,209
Acquisition of a subsidiary company	–	38,086	39,965	50,037	–	44,000	71,197	–	–	243,285
Additions [Note 4(b)]	–	193,742	178,212	913,030	–	1,169,619	130,948	1,043,410	134,384	3,763,345
Disposals	–	–	(570)	–	–	(738,879)	–	(36,015)	(5,550)	(781,014)
Written off	–	–	(2,308)	(9,212)	–	–	(1,390)	–	–	(12,910)
At 31 December 2018	6,210,061	473,993	628,146	1,591,581	26,000	5,009,945	497,255	1,892,100	128,834	16,457,915
Accumulated depreciation										
At 1 January 2018	578,829	139,070	281,922	51,735	26,000	2,236,212	209,850	125,893	–	3,649,511
Acquisition of a subsidiary company	–	11,476	11,984	8,870	–	35,933	55,194	–	–	123,457
Charge for the financial year	103,523	45,912	51,718	117,317	–	836,105	76,829	169,992	10,480	1,411,876
Disposals	–	–	(9)	–	–	(696,821)	–	(7,180)	(238)	(704,248)
Written off	–	–	(1,039)	(4,145)	–	–	(1,390)	–	–	(6,574)
At 31 December 2018	682,352	196,458	344,576	173,777	26,000	2,411,429	340,483	288,705	10,242	4,474,022
Carrying amount										
At 31 December 2018	5,527,709	277,535	283,570	1,417,804	–	2,598,516	156,772	1,603,395	118,592	11,983,893

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings RM	Computer RM	Motor vehicles RM	Total RM
Company				
2019				
Cost				
At 1 January 2019	13,652	22,229	501,125	537,006
Effect of adopting MFRS 16	–	–	(501,125)	(501,125)
Additions [Note 4(b)]	870	1,279	–	2,149
At 31 December 2019	14,522	23,508	–	38,030
Accumulated depreciation				
At 1 January 2019	7,235	3,298	167,042	177,575
Effect of adopting MFRS 16	–	–	(167,042)	(167,042)
Charge for the financial year	5,546	5,995	–	11,541
At 31 December 2019	12,781	9,293	–	22,074
Carrying amount				
At 31 December 2019	1,741	14,215	–	15,956
2018				
Cost				
At 1 January 2018	3,632	12,510	501,125	517,267
Additions [Note 4(b)]	10,020	9,719	-	19,739
At 31 December 2018	13,652	22,229	501,125	537,006
Accumulated depreciation				
At 1 January 2018	1,052	1,335	66,817	69,204
Charge for the financial year	6,183	1,963	100,225	108,371
At 31 December 2018	7,235	3,298	167,042	177,575
Carrying amount				
At 31 December 2018	6,417	18,931	334,083	359,431

(a) Assets held under finance leases

As at 31 December 2018, included in the property, plant and equipment of the Group and of the Company are motor vehicles acquired under finance lease with carrying amount of RM2,571,930 and RM334,083 respectively.

Leased assets are pledged as security for the related financial lease payables as disclosed in Note 15.

Following the adoption of MFRS 16 on 1 January 2019, the Group has reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 16.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Purchase of property, plant and equipment

The aggregate costs for the property, plant and equipment of the Group and of the Company during the financial year acquired under finance lease and cash payments are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Aggregate costs	3,271,373	3,763,345	2,149	19,739
Less: Finance lease	–	(1,100,400)	–	–
Cash payments	3,271,373	2,662,945	2,149	19,739

(c) Assets pledged as securities to licensed bank.

The carrying amount of freehold land and buildings of the Group pledged as securities for bank borrowings amounted to RM5,424,187 (2018: RM5,527,709) as disclosed in Note 17.

5. RIGHT-OF-USE ASSETS

	Motor vehicles RM	Buildings RM	Office equipment RM	Total RM
Group				
2019				
At cost				
At 1 January 2019	–	–	–	–
Effect of adopting MFRS 16	4,140,510	1,379,847	87,591	5,607,948
Additions	743,168	645,304	–	1,388,472
Disposals	(230,613)	–	–	(230,613)
At 31 December 2019	4,653,065	2,025,151	87,591	6,765,807
Accumulated depreciation				
At 1 January 2019	–	–	–	–
Effect of adopting MFRS 16	1,568,579	520,369	33,991	2,122,939
Charge for the financial year	815,432	590,820	17,518	1,423,770
Disposals	(230,613)	–	–	(230,613)
At 31 December 2019	2,153,398	1,111,189	51,509	3,316,096
Carrying amount				
At 31 December 2019	2,499,667	913,962	36,082	3,449,711

5. RIGHT-OF-USE ASSETS (CONT'D)

	Motor vehicle RM
Company	
2019	
At cost	
At 1 January 2019	–
Effect of adopting MFRS 16	501,125
At 31 December 2019	501,125
Accumulated depreciation	
At 1 January 2019	–
Effect of adopting MFRS 16	167,042
Charge for the financial year	100,225
At 31 December 2019	267,267
Carrying amount	
At 31 December 2019	233,858

(a) Included in the above, motor vehicles with carrying amount of RM2,499,667 and RM233,858 of the Group and of the Company are pledged as securities for the related lease liabilities.

(b) Purchase of motor vehicles

The aggregate costs for the motor vehicles of the Group and of the Company during the financial year acquired under finance lease and cash payments are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Aggregate costs	743,168	–	–	–
Less: Finance lease	(656,600)	–	–	–
Cash payments	86,568	–	–	–

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2019 RM	**2018 RM**
In Malaysia:		
At cost		
Unquoted shares	18,582,000	18,572,000

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
CS Laundry System Sdn. Bhd.	Malaysia	100	100	Supply, install, testing and commissioning of commercial laundry equipment
Best Contact (M) Sdn. Bhd.	Malaysia	100	100	Supply, install, testing and commissioning of medical devices
Maymedic Technology Sdn. Bhd.	Malaysia	100	100	Supply, install, testing and commissioning of medical devices
Cypress Medic Sdn. Bhd.	Malaysia	51.03	51.03	Trading and distribution of healthcare and clinical devices
Wellness Gate Sdn. Bhd.	Malaysia	100	–	Investment holding company, dormant company
Held through CS Laundry Sdn. Bhd.				
Century Pavilion Sdn. Bhd.	Malaysia	100	–	Business of launderers cleaners, dry cleaners and carpet beaters

(a) Incorporation of new subsidiary company

On 8 April 2019, the Company incorporated a 100% owned subsidiary company, Wellness Gate Sdn. Bhd., comprising 10,000 ordinary shares with a total cash subscription of RM10,000.

(b) Acquisition of subsidiary companies

(i) <u>During current financial year</u>

On 18 April 2019, CS Laundry System Sdn. Bhd., a wholly-owned subsidiary company acquired 1 ordinary shares of RM1 each representing 100% equity interest in Century Pavilion Sdn. Bhd. for total cash consideration of RM1.

(ii) <u>In previous financial year</u>

On 9 February 2018, the Company subscribed 51.03% equity interest comprising 2,100,000 new ordinary shares in Cypress Medic Sdn. Bhd. for total cash consideration of RM1,722,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2019 RM	2018 RM
<u>Fair value of consideration transferred</u>		
Cash consideration	1	1,722,000

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of subsidiary companies (Cont'd)

Fair value of identifiable assets acquired and liabilities assumed

	2019 RM	2018 RM
Property, plant and equipment	–	119,828
Inventories	–	756,659
Trade and other receivables	–	1,866,918
Tax recoverable	–	28,538
Cash and bank balances	1	2,316,341
Trade and other payables	–	(362,343)
Total identifiable assets and liabilities	1	4,725,941

The gross carrying amount of trade and other receivables approximate their fair values. None of the receivables were impaired and the full contractual amounts were expected to be collected.

Net cash inflows arising from acquisition of subsidiary company

	2019 RM	2018 RM
Purchase consideration settled in cash	(1)	(1,722,000)
Cash and cash equivalents acquired	1	2,316,341
	–	594,341

Negative goodwill arising from business combination

	2019 RM	2018 RM
Fair value of the consideration transferred	1	1,722,000
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	–	2,314,293
Fair value of identifiable assets acquired and liabilities assumed	(1)	(4,725,941)
Negative goodwill	–	(689,648)

Acquisition-related costs

The Group incurred acquisition-related costs of RM3,777 (2018: RM106,456) related to external legal fees and due diligence costs. The expenses have been included in administrative expenses in the profit or loss.

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Acquisition of subsidiary companies (Cont'd)

Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiary companies have contributed revenue of RM261,783 (2018: RM6,692,059) and loss of RM176,160 (2018: profit of RM489,603) for the financial year to the Group.

For previous financial year, if the combination of Cypress Medic Sdn. Bhd. had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year from its continuing operations would have been RM7,339,676 and RM626,826 respectively.

(c) Material partly-owned subsidiary company

Set out below are the Group's subsidiary company that has material non-controlling interests:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2019 %	2018 %	2019 RM	2018 RM	2019 RM	2018 RM
Cypress Medic Sdn. Bhd.	48.97	48.97	231,381	239,759	2,622,902	2,554,052

Summarised financial information for subsidiary company, Cypress Medic Sdn. Bhd. that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

(i) Summarised statement of financial position

	2019 RM	2018 RM
Non-current assets	830,680	680,363
Current assets	6,761,237	5,881,311
Non-current liabilities	(247,255)	(270,216)
Current liabilities	(1,988,521)	(1,216,914)
Net assets	5,356,141	5,074,544

(ii) Summarised statement of profit or loss and other comprehensive income

	2019 RM	2018 RM
Revenue	10,215,941	7,339,676
Profit for the financial year	472,497	626,826
Total comprehensive income for the financial year	472,497	626,826

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Material partly-owned subsidiary company (Cont'd)

(iii) Summarised statement of cash flows

	2019 RM	2018 RM
Net cash from/(used in) operating activities	295,986	(267,427)
Net cash used in investing activities	(293,907)	(434,494)
Net cash (used in)/from financing activities	(365,642)	1,644,085
Net (decrease)/increase in cash and cash equivalents	(363,563)	942,164
Dividend paid to non-controlling interests	88,141	69,044

7. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	Company	
	2019 RM	2018 RM
Non-current		
Non-trade related	793,990	–
Current		
Non-trade related	10,554,974	10,301,788
	11,348,964	10,301,788

Amount due from subsidiary companies are unsecured, non-interest bearing and repayable on demand, except for the non-current portion which are not expected to be receive within the next 12 months.

8. INVENTORIES

	Group	
	2019 RM	2018 RM
Spare parts	1,949,758	2,020,296
Consumables	740,877	495,120
Equipments and accessories	13,405,126	15,101,335
Good-in-transit	304,039	–
Others	877,343	–
	17,277,143	17,616,751

8. INVENTORIES (CONT'D)

	Group 2019 RM	Group 2018 RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	73,252,698	61,448,687
Inventories written down	49,790	54,902
Inventories written off	80,099	–
Reversal of inventories written down	(11,316)	–

9. TRADE RECEIVABLES

	Group 2019 RM	Group 2018 RM
Trade receivables	18,001,707	15,002,957
Less: Accumulated impairment losses	(441,174)	(333,645)
	17,560,533	14,669,312

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group 2019 RM	Group 2018 RM
At 1 January	333,645	254,848
Effect of adopting MFRS 9	–	571,263
Impairment losses recognised	140,049	31,040
Amount written off	(32,520)	–
Reversal of impairment losses	–	(523,506)
At 31 December	441,174	333,645

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

9. TRADE RECEIVABLES (CONT'D)

The aged analysis of trade receivables as at the end of the reporting year:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2019			
Neither past due	3,728,550	(62,353)	3,666,197
Past due			
Less than 30 days	5,438,695	(49,849)	5,388,846
31 to 60 days	1,853,680	(36,995)	1,816,685
61 to 90 days	389,668	–	389,668
More than 90 days	6,360,393	(61,256)	6,299,137
	14,042,436	(148,100)	13,894,336
	17,770,986	(210,453)	17,560,533
Credit impaired:			
Individual impaired	230,721	(230,721)	–
	18,001,707	(441,174)	17,560,533
2018			
Neither past due	8,899,608	(53,518)	8,846,090
Past due			
Less than 30 days	2,729,873	(25,886)	2,703,987
31 to 60 days	59,239	(18,367)	40,872
61 to 90 days	15,794	–	15,794
More than 90 days past due	3,116,088	(53,519)	3,062,569
	5,920,994	(97,772)	5,823,222
	14,820,602	(151,290)	14,669,312
Credit impaired:			
Individual impaired	182,355	(182,355)	–
	15,002,957	(333,645)	14,669,312

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2019, trade receivables of RM13,894,336 (2018: RM5,823,222) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM230,721 (2018: RM182,355), relate to customers that are in financial difficulties, have defaulted on payments and/or have disputed on the billings. These balances are expected to be recovered through the debt's recovery process.

10. OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	946,638	1,181,774	–	–
Less: Accumulated impairment losses	(747,789)	–	–	–
	198,849	1,181,774	–	–
Staff loans	–	1,198	–	–
Deposits	320,576	232,820	–	–
Dividend receivables	–	–	1,521,859	2,201,956
Prepayments	1,172,635	1,245,075	20,289	33,964
GST receivable	183,397	569,142	–	–
	1,875,457	3,230,009	1,542,148	2,235,920

Movements in the allowance for impairment losses of other receivables are as follows:

	Group	
	2019 RM	2018 RM
At 1 January	–	–
Impairment losses recognised	747,789	–
At 31 December	747,789	–

Other receivable of the Group that are individually determined to be impaired at the reporting date relate to a debtor that is in significant financial difficulties and has defaulted on payments.

11. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks amounting to RM1,767,007 (2018: RM1,121,415) of the Group were pledged as security for bank borrowings as disclosed in Note 17.

The interest rates and maturities periods of deposits ranged from 2.95% to 3.35% (2018: 2.70% to 3.30%) per annum and 30 days (2018: 30 days) respectively.

12. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
Issued and fully paid:				
At 1 January/ At 31 December	421,250,200	421,250,200	32,119,897	32,119,897

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. All ordinary shares rank equally with regards to the Company's residual assets.

13. MERGER RESERVES

The merger reserves arise from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiary companies acquired under the merger method of accounting.

	Group	
	2019	**2018**
	RM	**RM**
At 1 January/31 December	16,049,000	16,049,000

14. RETAINED EARNINGS

The entire retained earnings of the Company are available for distribution as single tier dividends.

15. FINANCE LEASE PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Minimum lease payments:				
Within one year	–	808,615	–	92,208
Later than one year and not later than two years	–	909,346	–	92,208
Later than two years and not later than five years	–	1,288,268	–	130,616
	–	3,006,229	–	315,032
Less: Future finance charges	–	(321,885)	–	(23,067)
Present value of minimum lease payments	–	2,684,344	–	291,965
Present value of minimum lease payments				
Within one year	–	619,545	–	80,795
Later than one year and not later than two years	–	827,842	–	84,653
Later than two years and not later than five years	–	1,236,957	–	126,517
	–	2,684,344	–	291,965
Analysed as:				
Repayable within twelve months	–	619,545	–	80,795
Repayable after twelve months	–	2,064,799	–	211,170
	–	2,684,344	–	291,965

In previous financial year, the finance lease payables of the Group and of the Company are secured by a charge over the leased assets as disclosed in Note 4(a) and bear interest at rates ranging from 2.38% to 5.44% per annum respectively.

16. LEASE LIABILITIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	–	–	–	–
Effect of adoptiong MFRS 16	3,664,874	–	291,965	–
Additions	1,301,904	–	–	–
Accretion of interest	247,205	–	11,413	–
Payment of lease	(1,578,992)	–	(92,208)	–
At 31 December	3,634,991	–	211,170	–
Represented by:				
Non–current liabilities	2,019,855	–	126,517	–
Current liabilities	1,615,136	–	84,653	–
	3,634,991	–	211,170	–

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Within one year	1,820,972	–	92,208	–
Later than one year and not later than two years	1,110,194	–	92,208	–
Later than two years and not later than five years	1,554,953	–	38,408	–
	4,486,119	–	222,824	–
Less: Future finance charges	(851,128)	–	(11,654)	–
Present value of lease liabilities	3,634,991	–	211,170	–

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions for the leased buildings and office equipment.

17. BANK BORROWINGS

	Group	
	2019	**2018**
	RM	**RM**
Secured		
Term loans	2,872,830	3,136,211
Banker acceptance	371,000	–
Trust receipts	711,797	553,281
	3,955,627	3,689,492
Non-current		
Term loans	2,596,541	2,878,712
Current		
Term loans	276,289	257,499
Banker acceptance	371,000	–
Trust receipts	711,797	553,281
	1,359,086	810,780
	3,955,627	3,689,492

The credit facilities obtained from licensed banks are secured by the following:

(i) First party legal charge over the freehold land and buildings of the subsidiary companies as disclosed in Note 4(c);

(ii) Fixed deposits of the subsidiary companies as disclosed in Note 11;

(iii) Joint and several guarantee by certain Directors for a subsidiary company;

(iv) Assignment of life assurance policy by a Director of a subsidiary company; and

(v) Corporate guarantee by the Company.

The maturity of the bank borrowings are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Within one year	1,359,086	810,781
Later than one year and not later than two years	281,058	265,755
Later than two years and not later than five years	752,700	1,350,722
Later than five years	1,562,783	1,262,234
	3,955,627	3,689,492

The average effective interest rates per annum are as follows:

	Group	
	2019	**2018**
	%	**%**
Term loans	3.95 - 6.19	4.47 - 6.42
Banker acceptance	5.65	–
Trust receipts	8.32	8.32

18. DEFERRED TAX LIABILITIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	305,261	175,600	3,788	3,900
Effect of adopting MFRS 16	(16,189)	–	–	–
Recognised in profit or loss	38,105	97,775	–	(161)
(Over)/Under provision in prior years	(116,632)	31,886	(3,788)	49
At 31 December	210,545	305,261	–	3,788

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	(144,763)	–	–	–
Deferred tax liabilities	355,308	305,261	–	3,788
	210,545	305,261	–	3,788

The components and movements of deferred tax assets and liabilities are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets				
Unabsorbed capital allowances				
At 1 January	–	–	–	–
Recognised in profit or loss	(144,763)	–	–	–
At 31 December	(144,763)	–	–	–
Deferred tax liabilities				
Accelerated capital allowances				
At 1 January	305,261	175,600	3,788	3,900
Effect of adopting MFRS 16	(16,189)	–	–	–
Recognised in profit or loss	182,868	97,775	–	(161)
(Over)/Under provision in prior years	(116,632)	31,886	(3,788)	49
At 31 December	355,308	305,261	–	3,788

18. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Unused tax losses	635,772	494,719	578,544	494,719
Unabsorbed capital allowances	122,009	22,506	36,677	22,506
Other deductible temporary differences	17,807	15,774	17,807	15,774
	775,588	532,999	633,028	532,999

With effect from year of assessment 2019, unused tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under current tax legislation. The other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

19. CONTRACT LIABILITIES

	Group	
	2019 RM	**2018 RM**
Current		
Contract liabilities		
Deferred income:		
- Extended warranties and service contracts	493,364	374,856
Balances at 1 January 2018 after adjusted for impact of adopting MFRS 15:		
Contract liabilities	–	381,360

There were no significant changes in the contract liabilities during the financial year.

As of the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) is RM493,364 (2018: RM374,856). The Group expects to recognise this revenue as the contracts are completed, which is expected to occur over the next 1 to 58 months (2018: 1 to 32 months).

20. TRADE PAYABLES

	Group	
	2019 RM	**2018 RM**
Trade payables	12,067,041	12,272,427

Credit terms of trade payables of the Group ranged from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

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(CONT'D)

21. OTHER PAYABLES

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Other payables				
- third parties	5,177,911	1,887,155	141,886	35,880
- related parties	36,935	99,289	100	674
Accruals	4,645,016	4,591,736	237,679	191,357
Deposits	962,447	2,875,910	–	–
Dividend payables	88,141	69,044	–	–
	10,910,450	9,523,134	379,665	227,911

22. REVENUE

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Revenue from contracts with customers:				
- Sale of goods	95,580,555	85,986,884	–	–
- Rendering of services	6,126,963	5,392,824	–	–
- Management fees	–	–	2,047,161	897,952
- Others	2,045,805	1,166,262	–	–
	103,753,323	92,545,970	2,047,161	897,952
Revenue from other sources:				
- Dividend income from subsidiary companies	–	–	1,521,859	2,201,956
	103,753,323	92,545,970	3,569,020	3,099,908

22. REVENUE (CONT'D)

Breakdown of the Group's revenue from contracts with customers:

	Commercial laundry equipment RM	Medical devices RM	Healthcare and clinical devices RM	Laundry services RM	Total RM
2019					
Major goods and services					
Sale of goods	32,674,716	52,689,898	10,215,941	–	95,580,555
Rendering of services	912,166	4,953,014	–	261,783	6,126,963
Others	486,173	1,559,632	–	–	2,045,805
Total revenue from contracts with customers	34,073,055	59,202,544	10,215,941	261,783	103,753,323
Geographical market					
Malaysia	34,073,055	59,202,544	10,215,941	261,783	103,753,323
Timing of revenue recognition:					
At a point of time	34,073,055	57,669,074	10,215,941	261,783	102,219,853
Over time	–	1,533,470	–	–	1,533,470
Total revenue from contracts with customers	34,073,055	59,202,544	10,215,941	261,783	103,753,323

	Commercial laundry equipment RM	Medical devices RM	Healthcare and clinical devices RM	Total RM
2018				
Major goods and services				
Sale of goods	42,701,550	36,593,275	6,692,059	85,986,884
Rendering of services	857,862	4,534,962	–	5,392,824
Others	695,320	470,942	–	1,166,262
Total revenue from contracts with customers	44,254,732	41,599,179	6,692,059	92,545,970
Geographical market				
Malaysia	44,254,732	41,599,179	6,692,059	92,545,970
Timing of revenue recognition:				
At a point of time	44,167,612	41,362,248	6,692,059	92,221,919
Over time	87,120	236,931	–	324,051
Total revenue from contracts with customers	44,254,732	41,599,179	6,692,059	92,545,970

23. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expenses on				
- Bank overdrafts	6,802	7,786	–	–
- Banker acceptance	25,494	–	–	–
- Finance lease payables	–	156,594	–	15,271
- Letter of credit	79,857	162,311	–	–
- Lease liabilities	247,205	–	11,413	–
- Term loans	148,753	166,989	–	–
- Trust receipts	99,571	99,573	–	–
- Others	–	–	35,642	–
	607,682	593,253	47,055	15,271

24. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting) amongst others, the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- Statutory audit	90,667	86,000	25,667	28,000
- Non-statutory audit	4,583	5,000	4,583	5,000
Bad debts written off	3,672	2,838	–	–
Bad debts recovered	(622)	–	–	–
Depreciation of property, plant and equipment	883,738	1,411,876	11,541	108,371
Depreciation of right-of-use assets	1,423,770	–	100,225	–
Gain on disposal of property, plant and equipment	(70,964)	(229,422)	–	–
Gain on disposal of motor vehicles	(45,000)	–	–	–
Inventories written down	49,790	54,902	–	–
Inventories written off	80,099	–	–	–
Impairment losses on:				
- Trade receivables	140,049	31,040	–	–
- Other receivables	747,789	–	–	–
Interest income	(461,976)	(486,562)	(79,199)	(120,443)
(Gain)/Loss on foreign exchange differences				
- Realised	(268,925)	(49,370)	–	–
- Unrealised	8,701	(91,988)	–	–
Negative goodwill written off	–	(689,648)	–	–
Non-executive Directors' remunerations				
- Fees	162,000	160,571	150,000	150,000
- Other emoluments	4,500	5,100	4,500	5,100
Property, plant and equipment written off	125,218	6,336	–	–
Reversal of impairment losses on trade receivables	–	(523,506)	–	–

24. PROFIT BEFORE TAX (CONT'D)

Profit before tax is determined after charging/(crediting) amongst others, the following items: (Cont'd)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Reversal of inventories written down	(11,316)	–	–	–
Lease expenses:				
- Short-term leases	25,860	–	–	–
- Low-value assets	9,681	–	–	–
Rental of booth	–	3,000	–	–
Rental of carpark	–	5,760	–	–
Rental of equipment	–	10,694	–	–
Rental of motor vehicle	–	2,070	–	–
Rental of premises	–	340,955	–	–

25. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax expenses recognised in profit or loss				
Current tax:				
Current year	2,337,649	2,815,597	–	–
(Over)/Under provision in prior years	(130,079)	50,500	13,544	(5,968)
	2,207,570	2,866,097	13,544	(5,968)
Deferred tax:				
Origination and reversal of temporary differences	38,105	97,775	–	(161)
(Over)/Under provision in prior years	(116,632)	31,886	(3,788)	49
	(78,527)	129,661	(3,788)	(112)
	2,129,043	2,995,758	9,756	(6,080)

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) on the chargeable income of the estimated assessable profits for the financial year.

25. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective income tax of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Profit before tax	7,505,826	11,459,957	1,003,276	1,146,959
At Malaysian statutory tax rate of 24% (2018: 24%)	1,801,398	2,750,390	240,786	275,270
Income not subject to tax	(454,293)	(735,597)	(370,480)	(528,469)
Expenses not deductible for tax purposes	970,428	787,308	105,687	141,767
Deferred tax assets not recognised	58,221	111,271	24,007	111,271
(Over)/Under provision of current tax in prior years	(130,079)	50,500	13,544	(5,968)
(Over)/Under provision of deferred tax in prior years	(116,632)	31,886	(3,788)	49
	2,129,043	2,995,758	9,756	(6,080)

The Group and the Company have estimated unused tax losses and unabsorbed capital allowances available for carried forward to offset against future taxable profit as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Unused tax losses	635,772	494,719	578,544	494,719
Unabsorbed capital allowances	725,187	22,506	36,677	22,506
	1,360,959	517,225	615,221	517,225

26. EARNINGS PER SHARE

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019 RM	2018 RM
Profit attributable to owners of the parent for basic earnings	5,145,402	8,224,440
Weighted average number of ordinary shares in issue	421,250,200	421,250,200
Basic earnings per ordinary shares (sen)	1.22	1.95

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

27. STAFF COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, bonuses and allowances	10,392,528	10,516,462	1,047,201	1,186,950
Defined contribution plans	1,325,924	1,378,715	127,563	117,239
Social security contributions	83,428	86,917	11,879	9,003
Other employee benefits	1,214,099	1,323,518	–	–
	13,015,979	13,305,612	1,186,643	1,313,192

27. STAFF COSTS (CONT'D)

Included in staff costs is the aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors				
Director fee	12,000	–	–	–
Salaries and other emoluments	2,695,097	3,087,648	387,944	324,000
Defined contribution plans	316,331	370,270	39,540	32,400
Social security contributions	4,286	4,287	1,516	1,516
Benefits-in-kind	100,100	100,100	–	–
	3,127,814	3,562,305	429,000	357,916
Subsidiary companies' Directors				
Salaries and other emoluments	1,155,683	864,690	–	–
Defined contribution plans	136,329	102,955	–	–
Social security contributions	2,769	2,770	–	–
Benefits-in-kind	41,300	20,733	–	–
	1,336,081	991,148	–	–

28. DIVIDENDS

	Group/Company	
	2019 RM	2018 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Final dividends paid in respect of the financial year ended:		
- 31 December 2018 (single tier dividend of 0.20 sen per ordinary share)	842,500	–

The Directors recommend the payment of a final single tier dividend of 0.10 sen per ordinary share in respect of the current financial year ended 31 December 2019, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below show the details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes.

	At 1.1.2019 RM	Effect of adopting MFRS 16 RM	New lease liabilities RM	Financing cash flows RM	At 31.12.2019 RM
Group					
Finance lease payables	2,684,344	(2,684,344)	–	–	–
Lease liabilities	–	3,664,874	1,301,904	(1,331,787)	3,634,991
Banker acceptance	–	–	–	371,000	371,000
Term loans	3,136,211	–	–	(263,381)	2,872,830
Trust receipts	553,281	–	–	158,516	711,797
	6,373,836	980,530	1,301,904	(1,065,652)	7,590,618
Company					
Finance lease payables	291,965	(291,965)	–	–	–
Lease liabilities	–	291,965	–	(80,795)	211,170
	291,965	–	–	(80,795)	211,170

	At 1.1.2018 RM	New finance lease RM	Financing cash flows RM	At 31.12.2018 RM
Group				
Finance lease payables	2,335,007	1,100,400	(751,063)	2,684,344
Term loans	3,387,498	–	(251,287)	3,136,211
Trust receipts	354,415	–	198,866	553,281
	6,076,920	1,100,400	(803,484)	6,373,836
Company				
Finance lease payables	368,902	–	(76,937)	291,965

The financing cash flows make-up of the net amount of proceeds from or repayment of lease liabilities and bank borrowings in the statements in cash flows.

30. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party 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. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

		Group	
		2019 RM	**2018 RM**
(i)	**Transactions with a company in which certain directors of the Company have substantial financial interest**		
	- Rental expenses on premises	–	138,000
	- Lease payment on premises	189,000	–
(ii)	**Transactions with a company in which close family member of certain directors of the Company have financial interest**		
	- Office expenses on premises	44,284	–
	- Purchase	2,790	–
(iii)	**Transactions with key management personnel and their close family member**		
	- Proceeds from disposal of motor vehicle	–	221,000

		Company	
		2019 RM	**2018 RM**
(i)	**Transactions with subsidiary companies**		
	- Dividend income	1,521,859	2,201,956
	- Interest payable	35,642	–
	- Management fees	2,047,161	897,952

30. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2019 **RM**	**2018** **RM**	**2019** **RM**	**2018** **RM**
Salaries, fees, and other emoluments	4,311,395	4,450,253	626,144	559,700
Defined contribution plans	486,267	511,713	49,582	42,072
Social security contributions	8,901	8,903	2,439	2,439
Benefits-in-kind	152,500	131,933	–	–
	4,959,063	5,102,802	678,165	604,211

31. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has six reportable segments as follows:

Investment holding	Investment holding.
Commercial laundry equipment	Supply, install, testing and commission of commercial laundry equipment.
Medical devices	Supply, install, testing and commission of medical devices.
Healthcare and clinical devices	Trading and distribution of healthcare and clinical devices.
Laundry services	Business of launderers cleaners, dry cleaners and carpet beaters.
Others	Represented the entity which yet to commence operation.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

31. SEGMENT INFORMATION (CONT'D)

	Investment holding RM	Commercial laundry equipment RM	Medical devices RM	Healthcare and clinical devices RM	Laundry services RM	Others RM	Adjustments and eliminations RM	Consolidated RM
Group								
2019								
Revenue								
External customers	–	34,073,140	59,202,544	10,215,856	261,783	–	–	103,753,323
Inter segment	3,569,020	1,995,990	–	85	–	–	(5,565,095)	–
Total revenue	3,569,020	36,069,130	59,202,544	10,215,941	261,783	–	(5,565,095)	103,753,323
Results								
Segment results	971,133	3,035,024	5,078,893	654,355	(165,441)	(6,833)	(1,915,599)	7,651,532
Interest income	79,198	219,924	173,797	24,699	–	–	(35,642)	461,976
Finance costs	(47,055)	(131,892)	(390,628)	(63,100)	(10,719)	–	35,712	(607,682)
Profit/(loss) before tax	1,003,276	3,123,056	4,862,062	615,954	(176,160)	(6,833)	(1,915,529)	7,505,826
Taxation	(9,756)	(797,083)	(1,178,747)	(143,457)	–	–	–	(2,129,043)
Net profit/(loss) for the financial year	993,520	2,325,973	3,683,315	472,497	(176,160)	(6,833)	(1,915,529)	5,376,783
Assets								
Capital expenditure	2,149	641,334	822,165	293,907	3,337,474	–	(437,184)	4,659,845
Segment assets	34,140,055	33,940,129	40,367,100	7,591,917	3,982,071	5,149	(35,229,675)	84,796,746
Liabilities								
Segment liabilities	590,835	15,323,235	25,216,119	2,235,776	4,158,230	1,982	(16,254,159)	31,272,018
Other non-cash items								
Bad debts written off	–	–	–	3,672	–	–	–	3,672
Depreciation of property, plant and equipment	11,541	281,145	429,063	93,081	112,626	–	(43,718)	883,738
Depreciation of right-of-use assets	100,225	624,424	440,400	174,049	90,558	–	(5,886)	1,423,770
Gain on disposal of property, plant and equipment	–	(70,964)	–	–	–	–	–	(70,964)
Gain on disposal of of motor vehicles	–	–	(45,000)	–	–	–		(45,000)
Inventories written down	–	18,217	31,573	–	–	–	–	49,790
Inventories written off	–	–	80,099	–	–	–	–	80,099
Impairment losses on:								
- Trade receivables	–	56,338	83,711	–	–	–	–	140,049
- Other receivables	–	–	747,789	–	–	–	–	747,789
Property, plant and equipment written off	–	85,209	3,760	36,249	–	–	–	125,218
Unrealised loss/(gain) on foreign exchange differences	–	19,944	(7,560)	(3,683)	–	–	–	8,701
Reversal of inventories written down	–	–	(11,316)	–	–	–	–	(11,316)

31. SEGMENT INFORMATION (CONT'D)

	Investment holding RM	Commercial laundry equipment RM	Medical devices RM	Healthcare and clinical devices RM	Adjustments and eliminations RM	Consolidated RM
Group						
2018						
Revenue						
External customers	–	44,254,732	41,599,179	6,692,059	–	92,545,970
Inter-segment	3,099,908	–	–	–	(3,099,908)	–
Total revenue	3,099,908	44,254,732	41,599,179	6,692,059	(3,099,908)	92,545,970
Results						
Segment results	1,041,787	5,826,040	5,509,669	701,460	(1,512,308)	11,566,648
Interest income	120,443	231,145	91,434	43,540	–	486,562
Finance costs	(15,271)	(162,172)	(410,808)	(5,002)	–	(593,253)
Profit before tax	1,146,959	5,895,013	5,190,295	739,998	(1,512,308)	11,459,957
Taxation	6,080	(1,416,122)	(1,335,321)	(250,395)	–	(2,995,758)
Net profit for the financial year	1,153,039	4,478,891	3,854,974	489,603	(1,512,308)	8,464,199
Assets						
Capital expenditure	19,739	1,311,725	1,713,847	961,319	–	4,006,630
Segment assets	33,921,864	30,832,589	37,765,262	6,537,972	(31,078,324)	77,979,363
Liabilities						
Segment liabilities	523,664	14,051,560	25,317,186	1,463,428	(12,506,324)	28,849,514
Other non-cash items						
Bad debts written off	–	–	–	2,838	–	2,838
Depreciation of property, plant and equipment	108,371	538,081	614,261	151,163	–	1,411,876
Gain on disposal of property, plant and equipment	–	–	(229,422)	–	–	(229,422)
Inventories written down	–	22,744	32,158	–	–	54,902
Impairment losses on trade receivables	–	31,040	–	–	–	31,040
Property, plant and equipment written off	–	–	–	6,336	–	6,336
Reversal of impairment losses on trade receivables	–	(72,493)	(451,013)	–	–	(523,506)
Unrealised gain on foreign exchange differences	–	(42,755)	(48,862)	(371)	–	(91,988)
Negative goodwill written off	–	–	–	–	(689,648)	(689,648)

31. SEGMENT INFORMATION (CONT'D)

Adjustments and eliminations

Capital expenditure consists of additions of property, plant and equipment and right-of-use assets including assets from the acquisition of subsidiary company.

Inter-segment revenues are eliminated on consolidation.

Geographic information

No disclosure on geographical segment information as the Group operates predominantly in Malaysia.

Major customers

No disclosure on major customer information as no customer represents equal or more than ten percent of Group's revenue.

32. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At Amortised cost RM
2019	
Group	
Financial assets	
Trade receivables	17,560,533
Other receivables	519,425
Fixed deposits with licensed banks	1,767,007
Cash and bank balances	30,555,128
	50,402,093
Financial liabilities	
Trade payables	12,067,041
Other payables	10,910,450
Lease liabilities	3,634,991
Bank borrowings	3,955,627
	30,568,109

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (Cont'd)

	At Amortised cost RM
2019	
Company	
Financial assets	
Other receivables	1,521,859
Amount due from subsidiary companies	11,348,964
Cash and bank balances	2,333,129
	15,203,952
Financial liabilities	
Lease liabilities	211,170
Other payables	379,665
	590,835
2018	
Group	
Financial assets	
Trade receivables	14,669,312
Other receivables	1,415,792
Fixed deposits with licensed banks	1,142,238
Cash and bank balances	28,365,053
	45,592,395
Financial liabilities	
Trade payables	12,272,427
Other payables	9,523,134
Finance lease payables	2,684,344
Bank borrowings	3,689,492
	28,169,397
Company	
Financial assets	
Other receivables	2,201,956
Amount due from subsidiary companies	10,301,788
Cash and bank balances	2,355,181
	14,858,925
Financial liabilities	
Other payables	227,911
Finance lease payables	291,965
	519,876

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group 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 and deposits with banks. The Company's exposure to credit risks arises principally from advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to previous financial year.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

At each reporting date, the Group and the Company assess whether any if the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies.

The Company's maximum exposure in this respect is RM3,955,627 (2018: RM3,689,492), representing the outstanding banking facilities to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

There are no significant changes as compared to previous financial year.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for advances to its subsidiary companies where risks of default have been assessed to be low.

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risks are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
Non-derivative financial liabilities						
2019						
Bank borrowings	1,487,651	399,239	1,018,992	1,778,976	4,684,858	3,955,627
Lease liabilities	1,820,972	1,110,194	1,554,953	–	4,486,119	3,634,991
Trade payables	12,067,041	–	–	–	12,067,041	12,067,041
Other payables	10,910,450	–	–	–	10,910,450	10,910,450
	26,286,114	1,509,433	2,573,945	1,778,976	32,148,468	30,568,109
2018						
Bank borrowings	968,403	408,811	1,155,252	2,196,020	4,728,486	3,689,492
Finance lease payables	808,615	909,346	1,288,268	–	3,006,229	2,684,344
Trade payables	12,272,427	–	–	–	12,272,427	12,272,427
Other payables	9,523,134	–	–	–	9,523,134	9,523,134
	23,572,579	1,318,157	2,443,520	2,196,020	29,530,276	28,169,397

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Company					
Non-derivative financial liabilities					
2019					
Other payables	379,665	–	–	379,665	379,665
Lease liabilities	92,208	92,208	38,408	222,824	211,170
Financial guarantee liabilities*	3,955,627	–	–	3,955,627	–
	4,427,500	92,208	38,408	4,558,116	590,835
2018					
Other payables	227,911	–	–	227,911	227,911
Finance lease payables	92,208	92,208	130,616	315,032	291,965
Financial guarantee liabilities*	3,689,492	–	–	3,689,492	–
	4,009,611	92,208	130,616	4,232,435	519,876

* *Based on the maximum amount that can be called for under the financial corporate guarantee.*

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to all subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At the end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities in remote.

The maximum amount of the financial guarantee issued to the banks for subsidiary companies' borrowing is limited to the amount utilised by the subsidiary companies, amounting to RM3,955,627 (2018: RM3,689,492). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At the end of the financial year, there was no indication that the subsidiary companies would default on repayment.

(iii) Market risks

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the Group entities. The currencies giving rise to the risk are primarily United States Dollar (USD), Euro (EUR) and Singapore Dollar (SGD).

The Group has not entered into derivative instruments for hedging or trading purposes. When possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in			
	USD RM	**EUR RM**	**SGD RM**	**Total RM**
Group				
2019				
Trade receivables	187,791	–	–	187,791
Cash and bank balances	55,453	–	–	55,453
Trade payables	(8,049,249)	–	(13,871)	(8,063,120)
	(7,806,005)	–	(13,871)	(7,819,876)
2018				
Other receivables	74,711	–	–	74,711
Trade payables	(8,087,749)	(1,467,978)	9,930	(9,545,797)
	(8,013,038)	(1,467,978)	9,930	(9,471,086)

Foreign currency sensitivity analysis

Foreign currency risk arises from the Group entities which have a RM functional currency. The exposure to currency risk of the Group entities which does not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, EUR and SGD exchange rates against RM, with all other variables held constant.

Group	**Change in currency rate RM**	**Effect on profit before tax 2019 RM**	**2018 RM**
USD	Strengthened 10%	(780,601)	(801,304)
	Weakened 10%	780,601	801,304
EUR	Strengthened 10%	–	(146,798)
	Weakened 10%	–	146,798
SGD	Strengthened 10%	(1,387)	993
	Weakened 10%	1,387	(993)

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk

The Group's and Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group	
	2019 **RM**	**2018** **RM**
Fixed rate financial instruments		
Financial asset		
Fixed deposits with licensed banks	1,767,007	1,142,238
Financial liabilities		
Finance lease payables	–	2,684,344
Bank borrowings	1,082,797	553,281
Lease liabilities	3,634,991	–
	4,717,788	3,237,625
Floating rate financial instruments		
Financial liabilities		
Bank borrowings	2,872,830	3,136,211

	Company	
	2019 **RM**	**2018** **RM**
Fixed rate financial instruments		
Financial liabilities		
Lease liabilities	211,170	–
Finance lease payables	–	291,965
	211,170	291,965

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do 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.

Cash flow sensitivity analysis for floating rate instruments

A change in 0.25% interest rate at the end of the reporting period would have increased/(decreased) the Group's profit before tax by RM7,182 (2018: RM7,841), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted entity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

(i) 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.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

(iii) 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 asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

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.

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments (Cont'd)

(iv) Level 3 fair value (Cont'd)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as key unobservable inputs used in the valuation method.

Financial instruments not carried at fair value

Type	Valuation technique and key inputs	Significant unobservable inputs
Loan to subsidiary companies	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.	Interest rate (4.70%)

33. FINANCIAL GUARANTEE

	Company	
	2019 RM	2018 RM
Unsecured		
Corporate guarantee		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiary companies	3,955,627	3,689,492

34. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitor capital using a gearing ratio. The Group's and the Company's policy are to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total loans and borrowings	7,590,618	6,373,836	211,170	291,965
Less: Deposits, cash and bank balances	(32,322,135)	(29,507,291)	(2,333,129)	(2,355,181)
Net cash	(24,731,517)	(23,133,455)	(2,121,959)	(2,063,216)
Equity attributable to the owners of the parent	50,901,826	46,575,797	33,549,220	33,398,200
Gearing ratio (times)	#	#	#	#

\# *The gearing ratio is not applicable as the cash and bank balances is sufficient to cover the entire borrowings obligation.*

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

35. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) Acquisition of Foodict Maker Sdn. Bhd.

On 3 September 2019, the Company entered into a Letter of Intent ("LOI") with Lee Chin Fong ("LCF"), Lee Beng Wai ("LBW") and Hsu Feng Chih ("HFC") and Foodict Maker Sdn. Bhd. ("Foodict") (collectively "Parties") with the intention to enter into negotiation in relation to the:

(i) proposed subscription of 133,333 new ordinary shares in Foodict, representing 25% enlarged equity interest of Foodict by the Company ("Proposed Subscription"); and

(ii) proposed acquisition from LCF, LBW and HFC (collectively the "Vendors") of a total of 138,667 existing ordinary shares representing 26% enlarged equity interest in Foodict by the Company ("Proposed Acquisition").

(Collectively "Proposed Transactions")

Pursuant to the Proposed Transactions, Foodict will become a 51% subsidiary of the Company.

On 31 October 2019, the Company and the Parties have mutually agreed to extend the closing date of the LOI to 2 December 2019 for the finalisation and execution of Definitive Agreements.

On 29 November 2019, the Company had entered into the following agreements:

(i) a subscription agreement with Foodict, and LCF and LBW (collectively as "Warrantors") for the proposed subscription of 133,333 new ordinary shares in Foodict representing 25% enlarged equity interest in Foodict ("Subscription Shares"), for a total cash consideration of RM1,499,996.25 ("Subscription Consideration") ("Subscription Agreement");

(ii) a share purchase agreement with LCF, LBW and HFC (collectively, the "Vendors") for the proposed acquisition of the aggregate of 138,667 existing ordinary shares in Foodict ("Sale Shares") representing 26% enlarged equity interest in Foodict, for a total cash consideration of RM1,560,003.75 ("Purchase Consideration") ("Share Purchase Agreement")("SPA");

(iii) a shareholders agreements with the Vendors and Foodict to set out the responsibilities and obligations of the Company and the Vendors as the shareholders of the Foodict and to record the terms and conditions governing the structure and organisation of Foodict and their respective rights and obligations in relation thereto ("Shareholders' Agreement"), which shall be effective upon completion of the Subscription Agreement; and

(iv) a profit guarantee agreement with LCF and LBW (collectively the "Guarantors") whereby the Guarantors will jointly and severally guarantee to the Company that the aggregate audited profit after tax attributable to the shareholders of Foodict for two years commencing from the date of completion of the Subscription Agreement and ending 24 months thereafter, shall not be less than the sum of RM1,600,000 ("Profit Guarantee") ("Profit Guarantee Agreement").

The Subscription Agreement, SPA, Shareholders' Agreement and Profit Guarantee Agreement are collectively referred to as the "Definitive Agreements".

On 23 January 2020, the Company has announced that all parties to the Subscription Agreement and SPA, have mutually agreed to extend the period to fulfil the Conditions Precedent and SPA Conditions Precedent from 28 January 2020 to 30 March 2020.

On 30 March 2020, the Company has announced that all parties to the Subscription Agreement and SPA, have mutually agreed to extend the period to fulfil the Conditions Precedent and SPA Conditions Precedent from 30 March 2020 to 1 June 2020.

35. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

(a) Acquisition of Foodict Maker Sdn. Bhd. (Cont'd)

Subsequently, on 2 June 2020, the Company has announced that the Subscription Agreement and SPA has been terminated due to non-fulfilment of conditions precedent by the extended cut-off date of 1 June 2020 ("Cut-off Date") as stipulated in the Subscription Agreement and SPA ("Termination"). Pursuant to the Termination, the Subscription Agreement and SPA shall be null and void and of no further effect whatsoever.

For avoidance of doubt, the consequential to the termination of the Subscription Agreement and the SPA, the Shareholders' Agreement and the Profit Guarantee Agreement shall be terminated forthwith and be null and void and of no further effect whatsoever.

(b) Proposed establishment of an Employees' Share Option Scheme

On 16 April 2020, the Company proposed establishment of an Employees' Share Option Scheme ("ESOS") up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the ESOS for the eligible employees and Directors (executive and non-executive directors) of the Company and its subsidiary companies (excluding dormant subsidiary companies). The proposed ESOS is subject to the approvals from shareholders of the Company at an Extraordinary General Meeting to be convened for the Proposed ESOS.

(c) Effect of outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 June 2020.

LIST OF PROPERTIES

No.	Owner	Title Details	Postal Address	Description of property/ Existing use/ Expiry of lease/ Category of land use	Land area/ Built-up area (sq m)	Net Book Value 31 December 2019 (RM)	Approximate age of buildings (Years)	Date of issuance of certificate of fitness for occupation
(1)	Best Contact (M) Sdn. Bhd.	GRN 67311, Lot No. 44501 (formerly known as HS(D) 112374, No. PT 12975) Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	No. 13-12, Jalan Jalil Perkasa 13, Aked Esplanad,Bukit Jalil, 57000 Kuala Lumpur.	Two (2)-storey plus a mezzanine floor shop office unit/Head office of our Company as well as office premises and storage space of Best Contact (M) Sdn. Bhd./ Freehold/Building.	178/ 454.8	1,465,898	12	4 February 2008
(2)	Best Contact (M) Sdn. Bhd.	PN 57354, Lot 95647, Mukim and District of Petaling, Selangor.	No. 1, Jalan Perindustrian PP2, Taman Perindustrian Putra Permai, Bandar Putra Permai, 43300 Seri Kembangan, Selangor.	Three (3)-storey terrace factory corner lot/ storage space for our inventories/ Leasehold expiring on 16 August 2104/Industrial.	317/ 489.6	1,811,350	5	3 June 2014
(3)	CS Laundry System Sdn. Bhd.	GRN 60915, Lot 4063 (formerly known as HS(D) 104781 PT 5712) Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	No. 21-1, 21-2 & 21-3, Jalan 5/152, Batu 6, Jalan Puchong, Taman Perindustrian OUG, 58200 Kuala Lumpur.	Three (3)-storey corner terraced shop office unit/ Office premises of CS Laundry System Sdn. Bhd. and storage space/ Freehold/ Building.	242/ 726	931,358	19	28 March 2001
(4)	Maymedic Technology Sdn. Bhd.	GRN 60914, Lot 40635 (formerly known as HS(D) 104780 PT 5711) Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.	No. 19-1, No. 19-2 & No. 19-3, Jalan 5/152, Batu 6, Jalan Puchong, Taman Perindustrian OUG, 58200 Kuala Lumpur.	Three (3)-storey intermediate unit shop office/Office premises of Maymedic Technology Sdn. Bhd. and storage space/Freehold/Building.	156/ 474.9	605,622	19	28 March 2001
(5)	Maymedic Technology Sdn. Bhd.	GRN 114209, Lot 13148 (formerly known as HS(D) 24416 PT11638, Mukim of Rawang, District of Gombak, Selangor.	No. 7, Jalan Johan 7, Taman Industrial Belmas Johan, Rawang-Gateway Industrial Park, 48000 Rawang, Selangor.	One and a half (1 ½)-storey terrace factory office building/storage space for our inventories/Freehold/ Industrial.	232/ 301.9	609,959	22	30 August 1997
						5,424,187		

ANALYSIS OF SHAREHOLDINGS

AS AT 1 JUNE 2020

SHARE AS AT 1 JUNE 2020

Total Number of Issued Shares	:	421,250,200 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS ACCORDING TO RECORD OF DEPOSITORS AS AT 1 JUNE 2020

Size of Holding	No. of shareholders	% of shareholders	No. of holdings	% of shares
1 – 99	8	0.18	197	0.00
100 - 1,000	383	8.60	264,903	0.06
1,001 - 10,000	1,679	37.71	11,009,000	2.61
10,001 - 100,000	2,073	46.56	80,863,700	19.20
100,001 to less than 5% of issued shares	304	6.83	131,473,500	31.21
5% and above of issued shares	5	0.12	197,638,900	46.92
Total	**4,452**	**100.00**	**421,250,200**	**100.00**

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company as at 1 June 2020 are as follows:-

		No. of Shares held		No. of Shares held	
No.	**Name of Directors**	**Direct**	**%**	**Indirect**	**%**
1	Liaw Chong Lin	43,728,200	10.38	–	–
2	Hew Chun Shun	43,648,600	10.36	–	–
3	Koh Lap Hing	39,675,900	9.42	–	–
4	Chung Eng Lam	37,721,700	8.95	–	–
5	Lim Jit Wei	34,767,500	8.25	–	–
6	Datuk Chin Goo Chai	–	–	–	–
7	Datin Latiffah Binti Endot	–	–	–	–
8	Ng Kok Wah	–	–	–	–

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued shares capital of the Company) based on the Register of Substantial Shareholders of the Company and their shareholdings as at 1 June 2020 are as follows:-

		No. of Shares held		No. of Shares held	
No.	**Name of Substantial Shareholders**	**Direct**	**%**	**Indirect**	**%**
1	Liaw Chong Lin	43,728,200	10.38	–	–
2	Hew Chun Shun	43,648,600	10.36	–	–
3	Koh Lap Hing	39,675,900	9.42	–	–
4	Chung Eng Lam	37,721,700	8.95	–	–
5	Lim Jit Wei	34,767,500	8.25	–	–

ANALYSIS OF SHAREHOLDINGS
AS AT 1 JUNE 2020
(CONT'D)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 1 JUNE 2020)

No.	Name of Shareholders	No. of Shares	%
1	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR LIAW CHONG LIN	43,028,200	10.21
2	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR HEW CHUN SHUN	42,995,600	10.21
3	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR KOH LAP HING	39,675,900	9.42
4	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR CHUNG ENG LAM	37,171,700	8.82
5	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR LIM JIT WEI	34,767,500	8.25
6	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR KEW KIN CHEE	13,508,700	3.21
7	M & A NOMINEE (TEMPATAN) SDN. BHD. FOR CHONG WAI MUN	12,718,700	3.02
8	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR BU YAW SENG (MY3086)	6,000,000	1.42
9	MOHD DOM BIN AHMAD	3,000,000	0.71
10	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR MOHD DOM BIN AHMAD	2,500,000	0.59
11	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEH KIAN LANG (E-KLC)	2,486,500	0.59
12	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEE WOOI CHI	2,000,000	0.47
13	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ANITHA BINTI MOHAMED HANIFFA	2,000,000	0.47
14	LIM TOW KENG	1,897,700	0.45
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEH KIAN LANG (CEB)	1,892,200	0.45
16	BU YAW SENG	1,500,000	0.36
17	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE	1,300,000	0.31
18	FOONG WENG CHOONG	1,292,000	0.31
19	SU SONG UNG	1,230,100	0.29
20	YIP CHEE HOONG	1,063,200	0.25
21	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR JULIAN CHEAH WAI MENG	1,053,000	0.25
22	TIONG SIEU CHIONG	1,000,000	0.24
23	WOON BOON KUEN	819,000	0.19
24	LOH KHAI CHOUNG	801,800	0.19
25	AVTAR SINGH A/L JIWA SINGH	800,100	0.19
26	HUI KEE MENG	800,000	0.19
27	KHOR CHEI YONG	800,000	0.19
28	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YAU YOKE LAN (CLT)	800,000	0.19
29	OON MIN CHEN	800,000	0.19
30	TAN ENG BEE	730,000	0.17

BCM Alliance

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