

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

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BRAND | FINANCE | MARKET

14 SEP 2016

The Board of Directors,
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Dear Sirs/Madams,

Executive Summary of the Strategic Analysis of the Commercial Laundry Equipment and Medical Devices Industries in Malaysia

This Executive Summary of the 'Strategic Analysis of the Commercial Laundry Equipment and Medical Devices Industries in Malaysia' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the Prospectus of BCM Alliance Berhad ("BCM") in relation to its proposed listing on the ACE Market of Bursa Malaysia Securities Berhad.

1.0 Malaysia Economic Overview

The Malaysian economy registered a commendable growth in 2015 against a backdrop of challenging developments such as a slowing world trade, heightened volatility in the international financial markets and the collapse of energy price. Malaysia's real gross domestic product ("GDP") expanded by 5.0 percent in 2015, which was slower than the 6.0 percent growth registered in 2014 but faster than the 4.7 percent growth registered in 2013. The pace of economic growth had remained within the range of 4 percent to 6 percent. The growth in 2015 was mainly driven by the continued expansion in domestic demand. Despite the positive results revealed in most of Malaysia's key economic indicators for 2015, the Malaysian Government is mindful of the potentially sustained weak energy and commodity prices that may be a major economic headwind for the local economy. In the near future, the growth in the Malaysian economy is expected to be anchored again by domestic demand. The Malaysian economy is expected to grow by between 4.0 percent to 4.5 percent in 2016. The expected moderation in private sector consumption and investment growth in an environment of prolonged uncertainties particularly in the international economic and financial landscape is likely to weigh on the Malaysian economy in 2016, leading to a slower pace of growth. The services sector is expected to remain the largest contributor to the economy by accounting for more than half of Malaysia's real GDP in 2016.

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2.0 Commercial Laundry Equipment Industry in Malaysia

2.1 Introduction and Definition

Laundry is defined as items requiring cleaning or washing, drying and/or ironing, whether within a domestic or commercial context. The items to be laundered include articles of clothing, linens and textiles. Commercial laundry is similar to domestic laundry except that its scale of operations is larger and/or it involves charges being imposed on customers for such services. Commercial laundry services typically include washing, drying and/or ironing as well as dry cleaning. Commercial laundry services may also include special services for customers such as pick-up and delivery of items.

The equipment involved in both domestic and commercial laundry processes can be grouped into six types, namely washers, dryers, ironers and finishing equipment, dry cleaning equipment, laundry equipment parts and others. Commercial laundry equipment refers to appliances or equipment in a professional laundry set-up. While equipment such as washers, dryers and ironers may be used in domestic and commercial laundry, other items such as finishing equipment and dry cleaning equipment are used mainly for commercial laundry purposes.

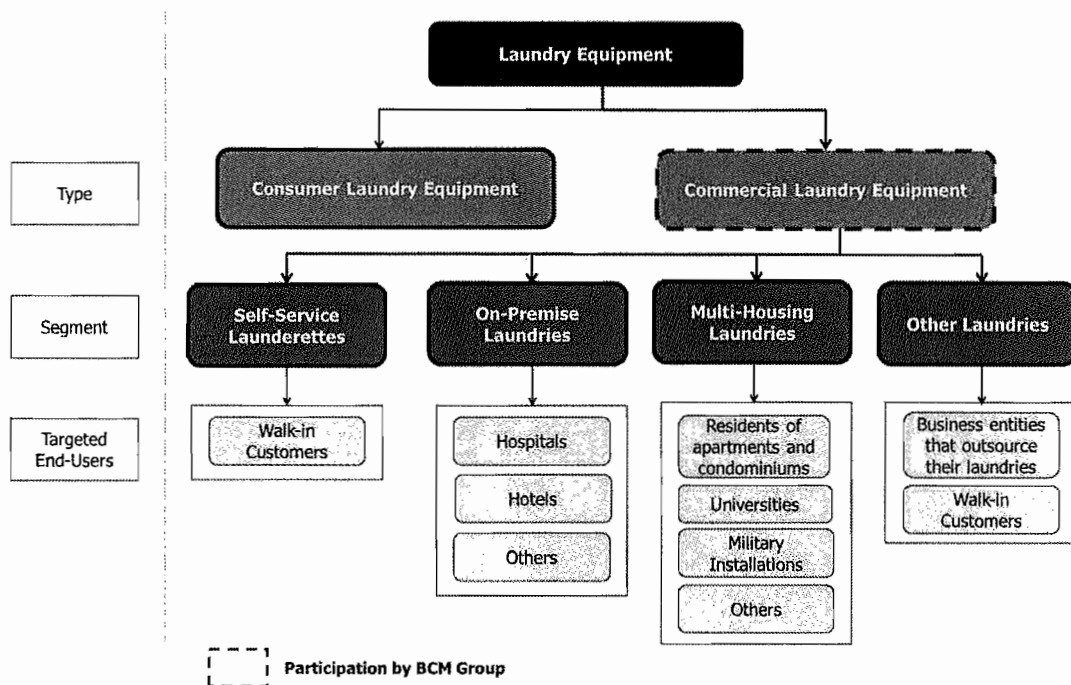
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2.2 Market Segmentation

Laundry equipment are used in both consumer and commercial laundry processes.

Figure 1: Laundry Equipment Industry Segmentation



Source: IMR Report

2.2.1 Consumer Laundry Equipment

Consumer laundry equipment refers to the laundry equipment used at home. This type of laundry equipment is typically designed with more consideration towards the external appearance and the provision of different features. Generally, consumer laundry equipment has more features as compared to commercial laundry equipment in terms of wash types and wash cycles, as well as having a child-lock safety feature. Furthermore, the former is also less expensive and involves lesser procedures than the latter.

2.2.2 Commercial Laundry Equipment

Commercial laundry equipment is built for large volume washing and heavy-duty usage at businesses and institutions. There is lesser focus on appearance but more emphasis on its construction to boost its durability for long term and more frequent usage. Commercial laundry equipment is typically set up in long rows and access is needed at the back of

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machine for repair and maintenance works. The features for commercial laundry equipment are more limited than for consumer laundry equipment. However, commercial laundry equipment may include features that are not available in consumer laundry equipment. For instance, the automatic chemical injection system found in commercial laundry equipment allows for the measurement of detergent, fabric softener products and other washing chemicals. Commercial laundry equipment is generally used in four different customer segments namely self-service laundrettes, on-premise laundries, multi-housing laundries and other laundries.

1) Self-Service Laundrettes

Self-service laundrette as it is known in the United Kingdom and Malaysia, is also known as laundromat in the United States of America ("US"), Canada and New Zealand. Self-service laundrettes are commercial establishments typically for walk-in, washing and drying. The commercial laundry equipment used in self-service laundrettes includes top load washers, washer-extractors and tumble dryers. Generally, the commercial laundry equipment in self-service laundrettes is operated using payment systems such as coin or card payment systems added into them.

2) On-Premise Laundries

On-premise laundries are generally located at businesses that wash or process significantly larger loads of textiles and garments in relatively shorter time. These businesses include but are not limited to hotels, hospitals, nursing homes, correctional institutions, sport facilities, car washes, gyms and fire stations. Common commercial laundry equipment used for on-premise laundries includes washer-extractors, tumble dryers and flatwork finishers.

3) Multi-Housing Laundries

This segment includes common laundry facilities in multi-dwelling units such as apartments and condominiums, universities and military installations. The commercial laundry equipment that are suitable for multi-housing laundries include small chassis top load and front load washers and small-chassis dryers that are vended, equipped with different type of payment system. This type of laundry equipment is similar in appearance with consumer laundry equipment but has enhanced durability and

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performance features. An additional feature includes the audit function, to keep track of the number of cycles and amount of money that has been collected.

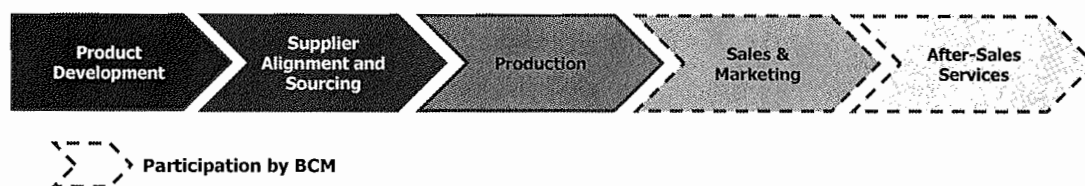
4) Other Laundries

Examples of other laundries include traditional non-self-service laundry shops as well as outsourced laundry service providers. They typically keep accounts for regular customers and cultivate long-term relationships with customers in particular neighbourhoods. Traditional non-self-service laundry shops also offer dry cleaning services besides the common laundry services of washing and drying. Meanwhile, outsourced laundry service providers offer large scale laundry services to businesses and institutions. They also have the capability to undertake laundry involving large or over-sized articles of textile and apparel.

CS Laundry System Sdn Bhd ("CS Laundry"), a wholly-owned subsidiary of BCM, is principally involved in the supply, installation, testing and commissioning of commercial laundry equipment, Protégé Associates will focus on the commercial laundry equipment industry for the purpose of this report.

2.3 Value Chain

Figure 2: An Example of Value Chain of Commercial Laundry Equipment Industry



Source: IMR Report

Product Development

This stage typically involves research and development work to create new products or innovate existing products. Technology transfer can help to shorten product development leading to shorter product time to market. There may also be close collaboration with customers and education institutions at this stage.

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Suppliers Alignment and Sourcing

Suppliers are identified during the sourcing process. Raw materials and machineries to support the production of commercial laundry equipment are obtained from the identified suppliers.

Production

The large-scale production of commercial laundry equipment is performed at this stage. Various other processes are also involved at this stage including testing and packaging. The finished products are then ready to be distributed and sold.

Sales and Marketing

Efforts are made at this stage to promote and push commercial laundry equipment to the end-users. There are various stakeholders that can be involved at this stage including import agents, distributors and the marketing arm of the manufacturers.

After-Sales Services

After-sales services generally include repair and maintenance of equipment as well as support and training for customers performed after a successful sales transaction. After-sales services may also include the handling of warranty claims.

2.4 Market Dynamics Scorecard for the Commercial Laundry Equipment Industry in Malaysia

| Indicator | Measurement |
|---|---|
| 2015 Estimated Market Size (Revenue) (RM million) | 201.1 |
| 2020 Forecast Market Size (Revenue) (RM million) | 271.3 |
| Forecast Period Market Compound Annual Growth Rate ("CAGR") (2016-2020) (base year of 2015) (%) | 4.3 |
| 2016 Estimated Number of Industry Players | Less than 50 consisting mainly of distributors, authorised representatives/retailers or importers |

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| Indicator | Measurement |
|------------------------|--|
| 2016 Demand Conditions | <ul style="list-style-type: none"> • Fundamental Societal Changes Driving Demand for Commercial Laundry Services • The Commercial Appeal of Self-Service Launderettes Driving Investment in Vended Commercial Laundry Equipment • Increasing Demand from the Hospitality Industry • Increasing Demand from the Healthcare Sector • Steady Population Growth • Automation Innovation • Replacement of Aging Commercial Laundry Equipment • Changes in Fabric Materials and Textile Technology |
| 2016 Supply Conditions | <ul style="list-style-type: none"> • The Push for Greener Commercial Laundry Equipment |

Source: IMR Report

2.5 Historical Performance and Growth Forecast

The commercial laundry equipment industry in Malaysia expanded by 8.6 percent from RM185.1 million in 2014 to RM201.1 million in 2015. It is estimated to expand to RM216.5 million in 2016 in line with growing demand for commercial laundry equipment in the self-service launderettes segment. Figure 3 depicts the historical and forecast market size of the commercial laundry equipment industry in Malaysia from 2014 to 2020.

Figure 3: Historical Market Size and Growth Forecast for the Commercial Laundry Equipment Industry in Malaysia, 2014-2020

| Year | Market Size (Revenue) (RM million) | Growth Rate (%) |
|------|---------------------------------------|-----------------|
| 2014 | 185.1 | - |
| 2015 | 201.1 | 8.6 |
| 2016 | 216.5 | 5.5 |
| 2017 | 230.1 | 4.3 |
| 2018 | 242.8 | 3.5 |
| 2019 | 256.9 | 4.2 |
| 2020 | 271.3 | 4.0 |

Note: CAGR (2016-2020) (base year of 2015): 4.3 percent

Source: IMR Report

The local commercial laundry equipment industry is likely to experience moderating growth from 2016 to 2020 despite lower growth rate in self-service launderettes segment. The forecast CAGR for the commercial laundry equipment industry in Malaysia from 2016 to 2020

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is 4.3 percent. The growth is expected to be driven by growth in vended commercial laundry equipment market. The size of the industry is projected to reach RM271.3 million in 2020.

CS Laundry has achieved encouraging growth in the sales of coin-operated commercial laundry equipment. Coin-operated commercial laundry equipment is a type of vended commercial laundry equipment which can be mostly found at self-service laundrettes.

The vended commercial laundry equipment market in Malaysia increased by 46.2 percent from RM65.0 million in 2014 to RM95.0 million in 2015. Figure 4 depicts the historical and forecast market size of the vended commercial laundry equipment market in Malaysia from 2014 to 2020.

Figure 4: Historical Market Size and Growth Forecast for the Vended Commercial Laundry Equipment Market in Malaysia, 2014-2020

| Year | Market Size (Revenue) (RM million) | Growth Rate (%) |
|------|---------------------------------------|-----------------|
| 2014 | 65.0 | - |
| 2015 | 95.0 | 46.2 |
| 2016 | 106.1 | 11.7 |
| 2017 | 117.8 | 11.0 |
| 2018 | 128.4 | 9.0 |
| 2019 | 137.4 | 7.0 |
| 2020 | 146.3 | 6.5 |

Note: CAGR (2016-2020) (base year of 2015): 9.0 percent

Source: IMR Report

It is estimated to expand by 11.7 percent to RM106.1 million in 2016. The growth is largely due to surge in the popularity of self-service laundrettes in major cities across the country. The mushrooming of self-service laundrettes has drawn the attention of investors who are receptive of their commercial appeal and wanted to ride on this latest trend. It is estimated that the number of self-service laundrettes increased from less than 150 in 2013 to around 900 in 2015. It is estimated that 70 percent of the total self-service laundrettes in 2015 are located in the Klang Valley. It is estimated about 200 self-service laundrettes (operated by CS Laundry's customers) in Klang Valley which uses Speed Queen's commercial laundry equipment in 2015. The other major brands of commercial laundry equipment known to be used in self-service laundrettes are Electrolux, Primus and Huebsch.

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During this period, two brands of self-service laundrettes have made significant inroads into the local vended commercial laundry equipment market namely 'LaundryBar' and 'Cleanpro Express'. However, the pace of growth in the market is expected to trend downward from 2016 to 2020 in line with moderating demand for coin-operated commercial laundry equipment. The forecast CAGR from 2016 to 2020 is 9.0 percent. The size of the market is projected to reach RM146.3 million in 2020.

2.6 Competitive Analysis**2.6.1 Competitive Landscape**

The commercial laundry equipment industry in Malaysia is mature and is estimated to consist of less than 50 participants who are mainly distributors, authorised representatives/ retailers or importers. Some of these industry players are originally involved in industries related to the laundry business such as supplying laundry chemical products. They may also be involved in distributing other types of equipment like kitchen equipment.

Prior to the expansive growth of the self-service laundrettes segment in Malaysia, local established industry players are mostly involved in the distribution of commercial laundry equipment to on-premise laundries, multi-housing laundries and other laundries customer segments. Although the industry as a whole is mature, the self-service laundrettes segment is considered to be relatively new in Malaysia unlike in other developed countries such as the US, Australia and Japan.

However, there has been an increasing number of industry players involved in the distribution of vended commercial laundry equipment for the self-service laundrettes segment since 2012. This development has coincided with the emerging trend of self-service laundrette owners operating at multiple locations via strategies like purchasing existing stores, opening brand new stores, as well as converting traditional laundry shops to self-service laundrettes. It is estimated that less than 20 industry players are involved in the distribution of vended commercial laundry equipment for the self-service laundrettes segment.

Industry players that distribute vended commercial laundry equipment can further broaden their revenue stream by owning and operating self-service laundrettes themselves. They can also expand this business by embarking on various different business models including franchising and non-franchising programmes such as licensing for interested entrepreneurs who want to own or invest in self-service laundrettes. These industry players generally help to set up the self-service laundrettes and provide the necessary supporting services such as

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after-sales services. They also stand to benefit from the increasing visibility of the brands of commercial laundry equipment distributed by them. Self-service laundrettes owned and operated by existing industry players can act as a concept store that drives brand promotional efforts.

The vended commercial laundry equipment used at self-service laundrettes in Malaysia is mostly coin-operated. Coin-operated commercial laundry equipment is prevalent and popular in Malaysia due to its low start-up cost as compared to card-operated commercial laundry equipment.

The commercial laundry equipment industry in Malaysia has been dominated by foreign brands from Germany, United Kingdom ("UK"), US and Japan. Examples of the foreign brands are IPSO, Speed Queen, Huebsch, Maytag, ADC, Renzacci, Girbau and Powerline. These brands are well received in Malaysia due to their high-quality equipment which brings about better washing performance. However, in recent years, commercial laundry equipment brands from China and South Korea such as Sea-lion and LG have been making inroads into the local market due to competitive pricing. In terms of Malaysian brands, these local brands are mostly manufactured by original equipment manufacturers ("OEM") located outside of Malaysia. On another note, the distributorship for each brand of commercial laundry equipment may or may not be on an exclusive basis.

2.6.2 Barriers to Entry

The commercial laundry equipment industry in Malaysia has relatively high barriers to entry. Factors that need to be considered by potential market entrants are as follows:

- 1) Capital Requirement – Potential entrants need to be mindful of the capital requirement to participate in the commercial laundry equipment industry. For potential manufacturers, sizeable capital needs to be invested to build a manufacturing facility including the necessary machinery and equipment as well as manpower. They may opt to outsource the production works but this also incur significant capital outlay due to the need to place a sizeable orders to meet the minimum order requirement imposed by their chosen outsourced partners. As for potential distributors, there are less demanding capital needs as they do not have to invest in a manufacturing facility or hire production workers. The extent of their capital needs is mostly dependent on their intended scale of operations. They may need to invest in a warehouse and be required to purchase a large amount of stocks.

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- 2) Established Industry Players – Potential entrants are somewhat at a disadvantaged position as established industry players typically have established long-term relationships with their respective customers. Building a viable and strong business relationship requires a significant amount of time to establish and once the business relationship is sufficiently strong, potential new entrants may find it harder to break up such an existing relationship. As customers usually prefer those that are reliable and have a long operating track record, this is one of the common barriers to entry for potential entrants.
- 3) Technical Knowledge – Potential entrants need to possess sufficient technological knowledge and technical know-how in order to be able to compete effectively in the long run. Potential manufacturers need to undertake research and development activities to innovate and/or create new products that can appeal to consumers and to avoid their products from being rendered obsolete. Besides that, potential distributors should be able to provide all the required installation, maintenance, repair and other related supporting services to customers.
- 4) Exclusivity in Distribution Rights – Another barrier to entry to the industry for potential distributors is the presence of exclusivity in the distribution of certain brands of commercial laundry equipment. Existing distributors may have already gotten the exclusive rights to distribute a certain brand(s) of commercial laundry equipment. As a result, potential distributors have a smaller pool of potential brands of commercial laundry equipment that they can choose from.

2.6.3 Comparison between CS Laundry and Selected Industry Players

BCM is an investment holding company, while its subsidiaries are principally involved in the distribution of equipment specialising in the commercial laundry equipment and medical devices industries. CS Laundry, a wholly-owned subsidiary of BCM is principally involved in the supply, installation, testing and commissioning of commercial laundry equipment. Among the brands of commercial laundry equipment that CS Laundry carries include Speed Queen, Huebsch, Lapauw, Maxi, Forenta, Renzacci, Jensen, Senking, Domus and Sea-Lion.

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CS Laundry is one of the key participants in the commercial laundry equipment industry in Malaysia. For the purpose of this report, Protégé Associates has used the following criteria when selecting industry players for comparison with CS Laundry:

- Registered revenue of RM5.0 million and above; and
- Involved in the distribution of commercial laundry equipment in Malaysia.

After taking into consideration the above criteria, Protégé Associates has selected three industry players namely Cleanpro Laundry Holdings Sdn Bhd ("Cleanpro Laundry"), Electrolux Commercial Products Sdn Bhd ("Electrolux Commercial") and Bubblelab Laundry Sdn Bhd ("Bubblelab"). The details of the selected industry players are as follows:

- Cleanpro Laundry

Cleanpro Laundry was established as a private limited company under the Companies Act, 1965 on 17 June 2008. Cleanpro Laundry is the supplier of laundry machinery, equipment, detergent, chemical and related accessories.

- Electrolux Commercial

Electrolux Commercial was established as a private limited company under the Companies Act, 1965 on 22 November 1985. Its nature of business is trading in industrial and commercial laundry equipment.

- Bubblelab

Bubblelab was established as a private limited company under the Companies Act, 1965 on 12 April 2013. It is principally involved as launderers for laundering, dry-cleaning and pressing. Bubblelab is distributing commercial laundry equipment of the brand name, Primus.

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Figure 5: Comparison between CS Laundry and Selected Industry Players in the Commercial Laundry Equipment Industry in Malaysia

| Indicator | Cleanpro Laundry | Electrolux Commercial | Bubblelab | CS Laundry |
|---|------------------|-----------------------|------------|------------|
| Information from the Financial Year Ended | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2015 |
| Revenue (RM) | 42,995,532 | 11,986,584 | 6,232,230 | 39,409,112 |
| Profit before Tax (RM) | 6,579,037 | 2,967,001 | 835,191 | 5,888,679 |
| Profit after Tax (RM) | 4,601,126 | 1,967,087 | 678,691 | 4,452,018 |
| Non-current Assets (RM) | 7,480,128 | 313,472 | 2,615,474 | 1,919,466 |
| Current Assets (RM) | 12,257,256 | 7,559,977 | 2,010,692 | 15,068,601 |
| Non-current Liabilities (RM) | 6,013,301 | 0 | 213,913 | 1,278,400 |
| Current Liabilities (RM) | 5,202,403 | 3,424,081 | 1,982,066 | 6,531,666 |
| Profit before Tax Margin (%) | 15.3 | 24.8 | 13.4 | 14.9 |
| Working Capital (RM) | 7,054,853 | 4,135,896 | 28,626 | 8,536,935 |
| Current Ratio (Times) | 2.36 | 2.21 | 1.01 | 1.50 |
| Asset Turnover Ratio (Times) | 2.18 | 1.52 | 1.35 | 2.32 |

Notes:

- 1) The list of selected industry players above is not exhaustive.
- 2) The above figures provide an indication of industry players' performance and the data is not directly comparable due to the following reasons:
 - (a) Not all industry players have the same financial year end;
 - (b) Not all companies carry out activities that are completely similar to each other or in the same geographical area.

Sources: Companies Commission of Malaysia and Protégé Associates

2.7 Market Share Analysis

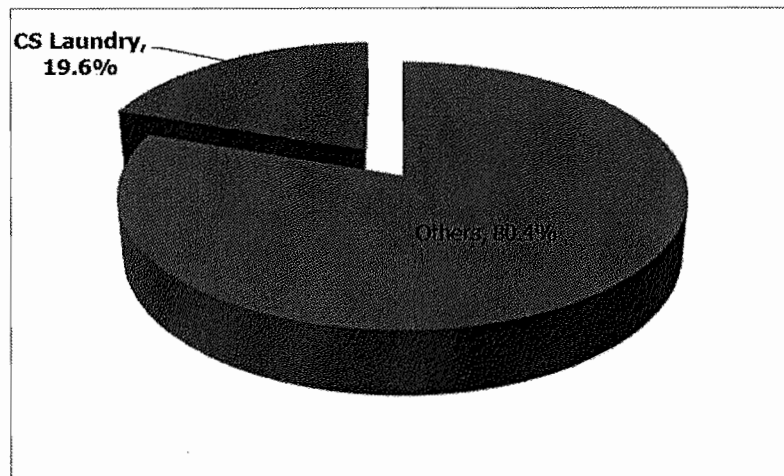
For the financial year ended 31 December 2015, CS Laundry generated revenue of RM39.4 million, equivalent to a 19.6 percent share of the commercial laundry equipment industry in Malaysia in 2015. This is based on CS Laundry's revenue of RM39.4 million against total

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market size (revenue) of the commercial laundry equipment industry in Malaysia of RM201.1 million in 2015.

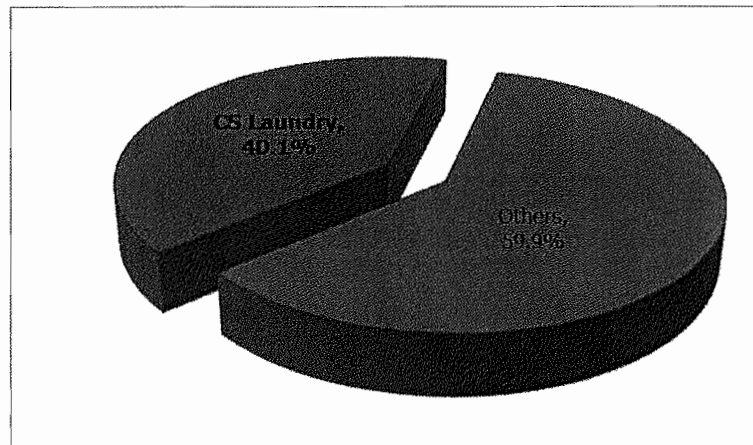
Figure 6: CS Laundry’s Estimated Market Share of Commercial Laundry Equipment Industry in Malaysia, 2015



Source: IMR Report

CS Laundry generated revenue of RM38.1 million from the sales of vended commercial laundry equipment, equivalent to a 40.1 percent share of the vended commercial laundry equipment market in 2015. This is based on CS Laundry’s revenue of RM38.1 million generated from the sales of vended commercial laundry equipment against total market size (revenue) of the vended commercial laundry equipment market in Malaysia of RM95.0 million in 2015.

Figure 7: CS Laundry’s Estimated Market Share of Vended Commercial Laundry Equipment Market in Malaysia, 2015



Source: IMR Report

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2.8 Demand and Supply Conditions

Figure 8: Demand and Supply Conditions Affecting the Commercial Laundry Equipment Industry in Malaysia, 2016

| Condition | Type | Impact |
|--|--------|----------|
| Fundamental Societal Changes Driving Demand for Commercial Laundry Services | Demand | Positive |
| The Commercial Appeal of Self-Service Launderettes Driving Investment in Vended Commercial Laundry Equipment | Demand | Positive |
| Increasing Demand from the Hospitality Industry | Demand | Positive |
| Increasing Demand from the Healthcare Sector | Demand | Positive |
| Steady Population Growth | Demand | Positive |
| Automation Innovation | Demand | Positive |
| Replacement of Aging Commercial Laundry Equipment | Demand | Positive |
| Changes in Fabric Materials and Textile Technology | Demand | Negative |
| The Push for Greener Commercial Laundry Equipment | Supply | Positive |

Source: IMR Report

2.8.1 Demand Conditions

Fundamental Societal Changes Driving Demand for Commercial Laundry Services

Urbanisation is a societal change that has led to increase usage of commercial laundry equipment. Rural communities are increasingly moving into cities to live and work. The high cost of living in cities has resulted in many urbanites seeking ways to minimise their expenditures as much as possible including spending on discretionary items such as home electrical products which include washing machines and dryers. In addition, urbanites lead an increasingly busy and time-poor lifestyle. These developments have provided the impetus for growth in the demand for commercial laundry services. This has indirectly led to a rising demand for commercial laundry equipment. These developments have also led to the increasing popularity of self-service launderettes in major cities across Malaysia. Self-service launderettes offer a convenient and low entry cost for their customers' laundry needs. In addition, the vended commercial laundry equipment can handle higher load of laundry and offer a relatively faster laundry cleaning.

The Commercial Appeal of Self-Service Launderettes Driving Investment in Vended Commercial Laundry Equipment

Investors seem to be increasingly optimistic about the commercial viability of the self-service launderette businesses. Their stands are understandable given that a self-service launderette business can offer various favourable investment propositions. A self-service launderette can

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be fully operational on a 24/7 basis without requiring a lot of management time. The presence of controls that facilitate easy remote monitoring can result in less frequent visits to the self-service laundrettes. This proposition is particularly appealing to investors looking to undertake a business venture on a part-time basis. It helps that manpower cost incurred is low as customers are performing their own laundry while attendant may not necessarily be required. Investors can also look forward to a stable cash flow as it is an all cash business and as such, they need not worry about having any receivables and non-payments. Furthermore, the demand for laundry cleaning services is not considered to be cyclical and likely to be consistent throughout the year. All these can translate into a business with the prospect of a high return on investment.

Increasing Demand from the Hospitality Industry

The hospitality industry covers lodging and accommodation, food services as well as other tourism related businesses such as travel services and recreational amenities. While the large amount of linens to be laundered are mainly from providers or owners of lodging and accommodation services, food services like restaurants and cafes, recreational amenities such as spa centres and gyms also require the use of commercial laundry equipment. Industry players in the local commercial laundry equipment industry in Malaysia stand to derive revenue from the sales of new commercial laundry equipment to existing and new providers or owners of hospitality premises as well as from the supporting services such as maintenance and repair works rendered to existing hospitality premises. The hospitality industry is closely linked to the tourism industry in Malaysia, as the arrivals of both international and domestic travellers can lead to the increase in demand for hospitality services which in turn, spur further demand for the use of commercial laundry equipment. The tourism industry is the sixth-largest Gross National Income ("GNI") contributing sector of the local economy, and is expected to generate annual tourist arrivals of 36 million by 2020. The local commercial laundry equipment industry is poised to ride on the growth of the tourism industry in Malaysia.

Increasing Demand from the Healthcare Sector

Commercial laundry equipment for the healthcare sector is important for hygiene purpose and to mitigate the risk of spreading infections. As with the hospitality industry, industry players in the local commercial laundry equipment industry in Malaysia stand to derive revenue from the sales of new commercial laundry equipment to existing and new healthcare facilities as well as from the supporting services such as maintenance and repair works rendered to existing healthcare facilities. The demand for commercial laundry equipment is

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expected to increase in tandem with the projected increase in the number of institutionalised healthcare facilities. The increasing number in institutionalised healthcare facilities can be translated to the increasing number of beds and the hospital linens to be laundered. This is expected to provide further impetus for commercial laundry management and services, as well as commercial laundry equipment.

Steady Population Growth

The steady population growth is expected to spur the continued demand for commercial laundry equipment moving forward as laundry services are needed for everyone. Although households in Malaysia may have their own washing machines with some even owning dryers as well, there are still households that do not own washing machines or dryers due to the cost and proper space needed. In this regard, those without their own washing machines need to seek laundry cleaning services from business establishments that house commercial laundry equipment to meet and efficiently manage their laundry needs. The steady growth of the Malaysian population is likely to lead to further demand for commercial laundry services such as washing, drying and/or ironing as well as dry cleaning that require the support of commercial laundry equipment.

Automation Innovation

There are some automation innovations that have increased the demand for and reliance on commercial laundry equipment, while reducing reliance on manual labour in the provision of laundry cleaning services. For example, the introduction of tunnel or continuous batch washers has led to the increase in productivity as well as reduction in the usage of water and energy by two-thirds as compared with old-style batch washers. Besides that, the introduction of the automatic injection system of liquid laundry detergents and chemicals has also proved to be a good innovation as it provides consistency and reliability as compared to the use of powdered detergent and the hand-fed method. Modern commercial laundry equipment may also be equipped with networking capabilities. This can facilitate the programming, monitoring and diagnostic analysis on the commercial laundry equipment from any Internet-connected device(s). These innovations in the automation of commercial laundry equipment are expected to spur more demand for commercial laundry equipment.

Replacement of Aging Commercial Laundry Equipment

Demand for commercial laundry equipment is also driven by the need to replace aged equipment. Over time, commercial laundry equipment needs to be replaced due to normal wear and tear. The high repair cost for the parts required may drive the demand for new

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commercial laundry equipment. In addition, the traditional non-self-service laundry shops may want to convert their existing premises to self-service laundrettes to ride on the growing receptiveness of this concept by consumers. Besides that, newer commercial laundry equipment is likely designed to be greener or more energy efficient, thus enabling more loads to be washed while saving more on utility bills. The improved performance of new equipment is also a factor that may be considered in replacing aging commercial laundry equipment with newer ones. This augurs well for the industry as it can provide recurring sales of commercial laundry equipment.

Changes in Fabric Materials and Textile Technology

In terms of fabrics and textiles, the 'Synthetic Revolution' emerged in the 1970s, where polyester-blended fabrics were introduced to the market. Polyester started being used to replace cotton in the production of many textiles. This drove a major change in the laundry process. The changes in the types of fabrics or textiles used required adequate changes the supply of different types of laundry equipment and the programmes available in these laundry equipment. In addition, it also reduced dependency on ironing equipment.

Another revolutionary technology that has impacted the commercial laundry equipment industry is the introduction of nanotechnology enhanced textiles which has reduced the reliance on the laundry equipment. Besides being lightweight, easy to clean, water and stain repellent, nanotechnology enhanced textiles are capable of filtering out viruses, bacteria and hazardous particles – making them suitable to be used as antibacterial sheets in hospitals. These textiles can also be used for doilies, seat cushions, or wall hangings in airplanes as they are able to absorb particles, gases or other airborne biohazards. Although nanotechnology enhanced textiles are not widely adopted at present due to reasons such as cost factors and complex manufacturing processes amongst others, it may continue to reduce the reliance on commercial laundry equipment in the future, especially for the cleaning of hospital linen.

2.8.2 Supply Conditions**The Push for Greener Commercial Laundry Equipment**

Industry players seem to be more mindful of the need to supply greener commercial laundry equipment as part of the latest green efforts to reduce energy consumption, water use and waste materials, as well as limit toxins and chemicals that go through the clothing and water system. Other than enabling users to save costs through reduced energy consumption, greener commercial laundry equipment will also appeal to modern consumers who are more

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inclined to adopt environmentally friendly practices, while also patronising businesses that boast eco-friendly products and services. There will likely be an increase in the supply of greener commercial laundry equipment as the industry players in Malaysia introduce the greener commercial laundry equipment into the local market.

2.9 Substitute Products or Services

Instead of opting for commercial laundry services that require the use of commercial laundry equipment, consumers can choose to perform laundry cleaning themselves either by buying the required consumer laundry equipment for internal use or washing manually by hand if possible. Among the factors that are normally taken into consideration by consumers are ease of convenience, the price of consumer laundry equipment, price of laundry cleaning services, load capacity required, duration of cleaning process, type of material involved and the need for special cleaning services such as dry cleaning. There are also instances where laundry cleaning is not required due to the use of disposables. Commercial laundry equipment can offer a more comprehensive range of services and suitable for large scale and frequent laundry cleaning.

2.10 Reliance On and Vulnerability to Imports

The commercial laundry equipment industry in Malaysia depends on imports. Malaysia's imports of commercial laundry equipment stood at around RM215.1 million in 2015. Figure 9 depicts Malaysia's total imports of commercial laundry equipment from selected countries in 2015.

Figure 9: Malaysia's Total Imports of Commercial Laundry Equipment from Selected Countries, 2015

| Countries | Import Value (RM million) |
|-----------|---------------------------|
| China | 45.5 |
| Italy | 16.3 |
| Japan | 13.5 |
| US | 34.7 |
| Thailand | 27.9 |

Source: Department of Statistics, Malaysia

The distributors for commercial laundry equipment, who are dependent on the imports of equipment, are affected by the fluctuation in the foreign exchange rates. Generally, when the currencies in the exporters' country are high, imported products become more expensive and the additional cost may be imposed on the purchasers. In addition, the local commercial

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laundry equipment industry is also subject to external factors for the availability of the required commercial laundry equipment and spare parts. However, the commercial laundry equipment can be sourced from various countries depending on availability and prices involved.

2.11 Relevant Laws and Regulations Governing the Industry and Peculiarities of the Industry**2.11.1 Quality Standards**

Compliance to national and international standards is gaining prominence among commercial laundry equipment industry players in Malaysia against the backdrop of a globalisation trend. Besides meeting the requisite requirements set by various governments, if any, any voluntary compliance can also go a long way towards boosting the confidence of potential end-user markets. It reinforces an industry player's commitment in providing acceptable quality products to the end-users.

Some of the standards that industry players in the commercial laundry equipment industry in Malaysia should focus on achieving include:

1) ISO ICS 97.060

ISO ICS 97 is a family of standards related to safety requirement and specifications for domestic and commercial equipment, including those for entertainment and sports. Specifically, ISO ICS 97.060 is the standards for laundry appliances, including washing machines, dry cleaners, driers, ironing and pressing appliances, etc.

2) ISO 9000

ISO 9000 is a family of standards that is maintained by the International Organisation for Standardisation and catered for quality management systems.

3) ISO 14000

ISO 14000 is the standard for environment management system. Compliance with this standard helps a company to fulfil its social responsibility in safeguarding the environment.

4) OHSAS 18000

OHSAS 18000 is a standard related to occupational health and safety management system and comprises of two parts namely 18001 and 18002.

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5) Eco-Management and Audit Scheme ("EMAS")

EMAS is an environmental standard that was developed by the European Commission in 1995 to help participating organisations to identify and manage their impact on the environment.

Additionally, ENERGY STAR™ is a voluntary programme established by the US Environmental Protection Agency ("EPA") in 1992. It helps businesses and individuals to save money and protect the climate through superior energy efficiency. Products, homes and commercial facilities can be certified under the programme. Third-party certification requirements and testing are required under the programme in order to maintain consumer trust and improve product oversight. To earn the ENERGY STAR™ label for products, the products must be based on testing in EPA-recognised laboratories. A percentage of the ENERGY STAR™ labelled products are subject to "off-the-shelf" verification testing by these laboratories each year. This is to ensure that changes or variation in the manufacturing process comply with ENERGY STAR™ requirements.

2.11.2 Government Regulations and Policies
Customs

In Malaysia, the Royal Malaysian Customs Department ("RMCD") is the government agency that is responsible for administrating the nation's indirect tax policy. Exporters, importers or custom agents are allowed to clear goods through the Customs offices at exit or entry points in Malaysia under the Customs Act, 1967.

Health and Safety Regulations

All legislations related to occupational safety and health in Malaysia are administrated and enforced by the Department of Occupational Safety and Health ("DOSH") under the Ministry of Human Resources, Malaysia. The major legislations governing the enforcement activities on occupational safety and health are the Occupational Safety and Health Act ("OSHA") 1994 and the Factories and Machinery Act ("FMA") 1967. Laundry equipment industry players in Malaysia need to comply with occupational safety and health regulations particularly the OSHA 1994.

Franchise Act 1998

The Franchise Act 1998 was gazetted on 31 December 1998 and its main objective is to govern and regulate the franchise industry in Malaysia. The Act includes the standardisation of operations and regulations of the franchise industry, and offer protection within the

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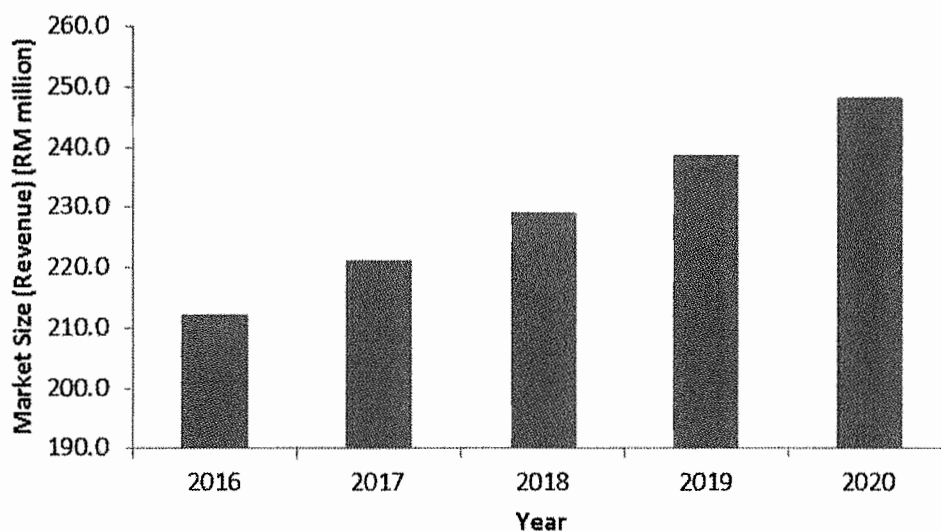
Malaysian franchise fraternity. The commercial laundry equipment distributors who are involved in the franchise of self-service laundrettes are governed by this Act.

The Franchise Act 1998 applies to the sale and operation of any franchise in Malaysia. The sale of a franchise in Malaysia is deemed to be where an offer to sell or buy a franchise, is made in Malaysia and accepted within or outside Malaysia; or; is made outside Malaysia and accepted within or outside Malaysia; and the franchised business is operated or will be operating in Malaysia.

2.12 Prospects and outlook of the Commercial Laundry Equipment Industry in Malaysia

The size (revenue) of the commercial laundry equipment industry in expanded by 8.6 percent from RM185.1 million in 2014 to RM201.1 million in 2015. It is estimated to expand to RM216.5 million in 2016 in line with demand for commercial laundry equipment in the self-service laundrettes segment. The local commercial laundry equipment industry is likely to experience moderating growth from 2016 to 2020 despite lower growth rate in self-service laundrettes segment.

Figure 10: The Forecast Market Size (Revenue) of the Commercial Laundry Equipment Industry in Malaysia, 2016-2020



Source: IMR Report

The positive outlook on the demand for commercial laundry equipment in Malaysia is mainly attributed to the fundamental societal changes that drive demand for commercial laundry services. The commercial appeal of self-service laundrettes also drives investment in vended

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commercial laundry equipment. In addition, the increasing demand from the hospitality industry and healthcare sector also contributes to the growth of this industry. Besides that, the steady population growth, automation innovation and replacement of aging commercial laundry equipment are also expected to drive the future growth of the commercial laundry equipment industry. However, the changes in fabric materials and textile technology may dampen the growth of commercial laundry equipment industry. On the supply side, the push for greener commercial laundry equipment is also expected to have a positive impact on the commercial laundry equipment industry as it will appeal to modern consumers who are more inclined to adopt environmentally friendly practices, while also patronising businesses that boast eco-friendly products and services.

The size (revenue) of the commercial laundry equipment industry in Malaysia is expected to reach RM271.3 million in 2020. The forecast CAGR for the commercial laundry equipment industry in Malaysia from 2016 to 2020 is 4.3 percent.

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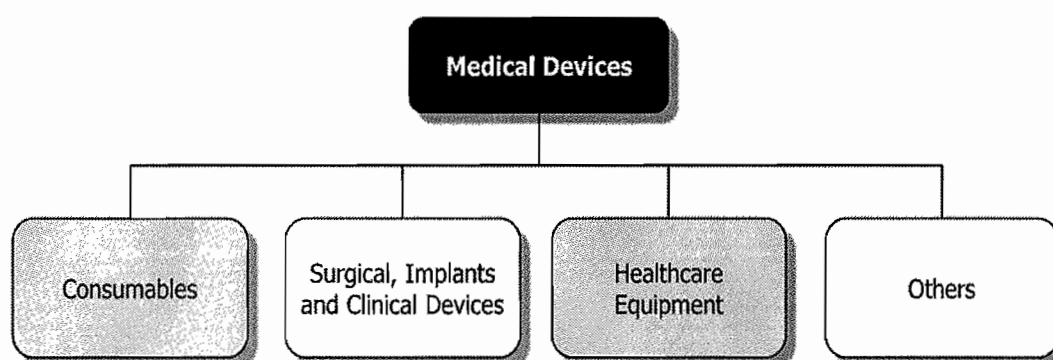
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3.0 Medical Devices Industry in Malaysia


3.1 Definition and Description of Medical Devices

Briefly, medical devices include all the medical technologies, supplies and equipment except for drugs that are used in the diagnosis, prevention, monitoring or treatment of illnesses or diseases. Figure 11 depicts the types of medical devices.

Figure 11: Types of Medical Devices



Note:-

 Denotes the type of medical devices that BCM Group distribute.

Source: IMR Report

1) Consumables

Consumables are usually disposable, non-durable and cannot be repeatedly used by more than one individual (sometimes consumables are also called single use devices ("SUD")). Consumables consist of wound care products such as bandages, dressings and cotton swabs, gloves and protective products such as medical gloves and condoms, fluids and irrigation products such as needles and syringes, incontinence products such as catheters and bowel care products, as well as miscellaneous products such as sanitisers, oral care and eye care products. Other consumables that may be included are imaging films used in diagnostic imaging equipment, instrument cleaning chemistries and disinfectants used for cleaning, decontamination and sterilisation of surgical instruments as well as consumables for sterile assurance products for sterilisation monitoring purpose.

Additionally, in-vitro diagnostics ("IVD") are also classified as consumables. IVD is a method of performing a diagnostic test outside of a living body such as checking blood for signs of infection or urine for the presence of glucose. An example of an IVD is the pregnancy test kit.

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**2) Surgical, Implants and Clinical Devices**

Surgical instruments are used to perform the removal or modification of tissue during surgery. Examples of surgical instruments are scissors, forceps, retractors, scalpels, clamps and mechanical cutters.

Implants and clinical devices are usually electronic, portable and easily replaceable in its form, for diagnosis, monitoring, treatment, replacement or enhancement of body parts. Examples of medical implants are artificial pacemakers, cochlear implants, breast implants and orthopaedic implants. Meanwhile, clinical devices may include home-monitoring devices such as blood pressure machines and thermometers, therapeutic appliances such as haemodialysis machines, therapeutic ultrasound machines and neuromuscular stimulation machines.

3) Healthcare equipment

Healthcare equipment consists of machines that require calibration, maintenance, repair, user training and decommissioning. They are usually large in form and require fittings to form a system of usage. Examples of healthcare equipment are diagnostic imaging equipment, sterilisation and disinfection equipment, surgical lighting and pendant system, life support equipment, radiation equipment and monitoring system equipment.

4) Other related medical devices are hospital furniture and accessories such as beds, stretchers and cubical curtains, hospital support system such as medical gas, anaesthesia sets and examination tables and medical device electrodes**3.1.1 Diagnostic Imaging Equipment**

Diagnostic imaging equipment belongs in the healthcare equipment group of medical devices. Diagnostic imaging, also commonly known as medical imaging, refers to the production of visual presentations of body parts, tissues or organs for use in clinical diagnosis. Diagnostic imaging is important in confirming, correctly assessing and documenting the course of the disease/ illness, as well as in accessing the response to treatment. The type of diagnostic imaging technology used depends on the patient's symptoms and the part of body being examined. Some examples of diagnostic imaging include X-ray, computed tomography ("CT"), magnetic resonance imaging, ultrasonography and nuclear medicine.

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**3.1.2 Disinfection and Sterilisation Equipment**

Sterilisation and disinfection equipment are also included in the healthcare equipment group of medical devices. Sterilisation and disinfection are processes that are imperative components of infection control procedures, as they ensure that medical and surgical instruments do not transmit infectious pathogens to patients.

Sterilisation is a process that eliminates all forms of microorganisms (i.e. bacteria, viruses, fungi and protozoa). The types of sterilisation methods used include steam sterilisation, filtration, ionising radiation and gas sterilisation.

Disinfection, on the other hand, is a process that eliminates many microorganisms except for bacterial spores. The purpose of disinfection is to prevent transmission of certain microorganisms with objects, hands or skin and to prevent spreading of infection. The types of disinfection method used are, thermal or chemical disinfection and wet pasteurisation.

When it comes to sterilisation and disinfection, the Centralised Sterile Supply Department ("CSSD") is the service unit within a hospital that processes, issues and controls the sterile supplies to all departments of the hospital. The main objective of the CSSD is to distribute sterilised supplies from a central department where sterilisation is conducted, thereby contributing to a reduction in the incidence of hospital infection.

The CSSD is designed for a unidirectional flow and should have three zones for a smooth workflow namely, the soiled zone where unsterile supplies are collected and cleaned, a clean zone where the cleaned supplies are dried, assembled and packaged and a sterile zone where sterilisation is conducted and stored for delivery to various departments in the hospital.

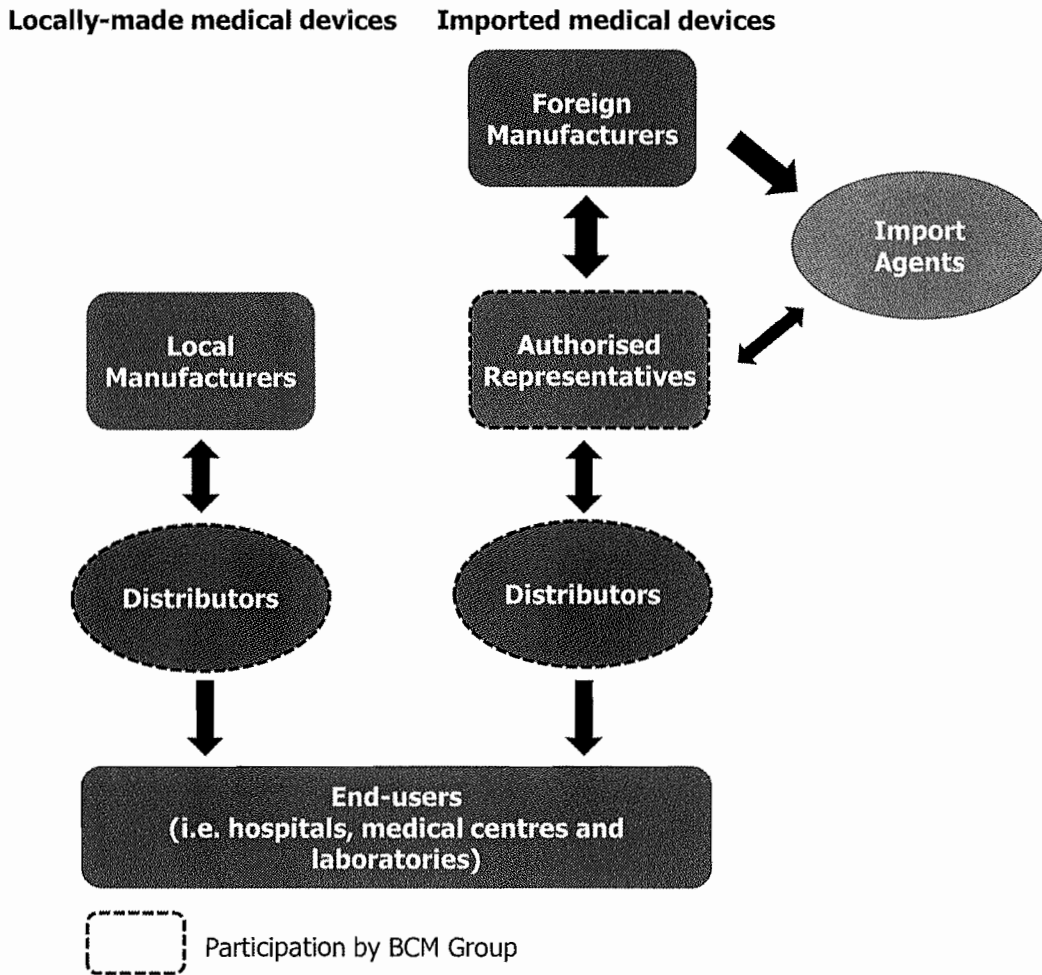
3.2 Market Segmentation

The medical devices industry is considered as one of the 18 sub-sectors within the manufacturing sector. In a medical devices industry, the supply chain of medical devices moves from manufacturing to distribution to the end-users. The stakeholders who are involved in this supply chain include the manufacturer, the authorised representative, the import agent, the distributor and the end-users.

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Figure 12: Stakeholders in the Malaysian Medical Devices Industry



Source: IMR Report

Local Manufacturers/ Foreign Manufacturers

Manufacturers are companies involved in the design, production, fabrication, assembly, processing, packaging and labelling of medical devices, and assigning to the finished medical devices under their own brand name, their intended purpose and ensuring the finished products meets the regulatory requirements. For locally made medical devices, the local manufacturers are required to register its product with the Medical Device Authority under the Ministry of Health of Malaysia ("MoH").

For foreign manufacturers that intended to market their medical devices in Malaysia, they typically appoint a local company or set up their respective marketing arm as their authorised representative, to register their medical devices with the Medical Device Authority before it can be imported, exported or placed in Malaysia.

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Import Agents

Import agents are appointed by authorised representatives to import medical devices from foreign countries into Malaysia. An importer can only import registered medical devices authorised and on behalf of the authorised representatives.

Authorised Representatives

Authorised representatives are appointed by foreign manufacturers to register the imported medical devices with the Medical Device Authority. An authorised representative can distribute the imported medical devices itself or to appoint other distributors to distribute the imported medical devices to the end-users.

Distributors

Distributors are appointed by authorised representatives (for a medical device manufactured in foreign country) or by local manufacturers (for locally made medical device) to distribute medical devices to the end-user. A distributor shall only distribute registered medical devices authorised and on behalf of the authorised representative or the local manufacturer. Authorised representatives and distributors are usually involved in two phases, namely, advertising and sale. In the case where medical devices require specialised training for proper use, after-sale services are provided for supporting and training the customer (i.e. end-users).

End-users

Demand for medical devices mainly comes from end-users such as hospitals and clinics, medical centres and laboratories whom are participants of the healthcare sector and life sciences industry. The type of medical devices required by the end-users varies across purpose(s) intended.

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3.3 Strategic Analysis of the Medical Devices Industry in Malaysia

3.3.1 Market Dynamics Scorecard

Figure 13: Market Dynamics Scorecard for the Medical Devices Industry in Malaysia

| Market Dynamics Indicator | Measurement |
|---|---|
| 2015 Market Size (Revenue) (RM billion) | 10.24 |
| 2015 Market Growth Rate (%) | 10.1 |
| 2020 Forecast Market Size (Revenue) (RM billion) | 17.41 |
| Forecast Period Market CAGR (2016-2020) (base year of 2015) (%) | 11.2 |
| Competitive Landscape | Over 2,000 industry players consisting of multi-national companies ("MNC"s) and local SMEs |
| 2016 Demand Conditions | <ul style="list-style-type: none"> • Growing and Ageing Population • Growing Prevalence of Chronic Lifestyle Diseases • Increase in Expenditure on Healthcare Products and Services • Growing Healthcare Travel Industry • Increasing Number of Healthcare Providers |
| 2016 Supply Conditions | <ul style="list-style-type: none"> • Strong Government Support • Presence of Established Supporting Industries • Increasing Competition in the Global Medical Devices Market |

Source: IMR Report

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3.3.2 Historical Market Performance and Growth Forecast

The medical devices industry in Malaysia is valued at an estimated market size (revenue) of RM10.24 billion in 2015, representing a 10.1 percent growth from 2014.

Figure 14: Historical Market Size and Growth Forecast for the Medical Devices Industry in Malaysia, 2014-2020

| Year | Market Size (Revenue) (RM billion) | Growth Rate (%) |
|------|---------------------------------------|-----------------|
| 2014 | 9.30 | - |
| 2015 | 10.24 | 10.1 |
| 2016 | 11.32 | 10.5 |
| 2017 | 12.56 | 11.0 |
| 2018 | 13.94 | 11.0 |
| 2019 | 15.55 | 11.5 |
| 2020 | 17.41 | 12.0 |

Notes: CAGR (2016-2020) (base year of 2015): 11.2 percent

Source: IMR Report

The medical devices industry is expected to remain buoyant throughout the forecast period of 2016 to 2020. The sustainable demand for the medical devices industry in Malaysia is expected to come from the increasing need for healthcare services from its growing and ageing population, the growing prevalence of chronic lifestyle diseases, increasing healthcare expenditure on healthcare products and services, a growing healthcare travel industry and increasing number of healthcare providers. On the supply side, a strong government support and presence of established supporting industries are expected to boost the revenue of the medical devices industry in Malaysia.

In view of a gradual shift from manufacturing of rubber-based and metal-based consumables to higher value added medical devices such as the orthopaedic products and diagnostic imaging equipment, producing more locally-made medical devices, and thereby, support and accelerate the growth of the medical devices industry. The availability of more medical devices in the market is expected to further support the growth of distribution segment as authorised representatives and distributor remained vital in their role as an integral link between the manufacturers and end-users. The forecast CAGR for the medical devices industry in Malaysia from 2016 to 2020 is 11.2 percent. The medical devices industry is estimated to reach RM17.41 billion in 2020.

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**3.4 Competitive Analysis****3.4.1 Competitive Landscape**

The medical devices industry in Malaysia is huge and provides market opportunities to a large and wide range of participants. It is a mature and competitive market and is estimated to have over 2,000 industry players. Industry players consist of MNCs and local companies, which include manufacturers, authorised representatives or retailers, import agents and distributors. These market participants are regulated by the Medical Device Authority under the Ministry of Health.

MNCs

The MNCs in the Malaysian medical devices market comprise mainly of authorised representatives or retailers that import and distribute medical devices, mostly patented or branded name products. They are generally subsidiaries of large, global research-based companies that focus on developing new or improved medical devices and products. A minority of these MNCs have manufacturing arrangements or production operations in Malaysia. Examples of these MNCs which have manufacturing and sales and marketing presences in Malaysia are B. Braun Industries Sdn Bhd and B. Braun Medical Supplies Sdn Bhd, subsidiaries of B. Braun Melsungen AG, Germany and St. Jude Medical Operation Sdn Bhd and St. Jude Medical (M) Sdn Bhd, subsidiaries of St. Jude Medical Inc. United States of America.

Local Companies

Local companies in the medical devices industry in Malaysia comprise of manufacturers, import agents and distributor of medical devices.

Local manufacturers include companies involved in the design, manufacturing and assembly of medical devices. The local manufacturers of medical devices in Malaysia focus primarily on the production of consumables such catheters, medical gloves, needles and syringes. The majority of local manufacturers focus on the production of consumables due to the availability of raw materials such as rubber and steel in the country. These manufacturers may either have their own house brands or may be performing contract manufacturing for other brands. Examples of local manufacturers are APS Medical Sdn Bhd that manufactures disposable medical products, Straits Orthopaedics (Mfg) Sdn Bhd that manufactures orthopaedic devices and Vigilenz Medical Devices Sdn Bhd that manufactures wound care products.

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Import agents and distributors refer to companies involved in the importing and/or distribution of medical devices to the local public and private hospitals and medical centres, and some of these brands may be imported from foreign countries. These import agents and distributors derive their competitive edges for sales based on their service quality as well as their relationships with hospitals and medical centres.

The industry players of Malaysian medical devices industry may also compete on various factors such as:

- Branding;
- Design and technological capabilities and/or collaborations;
- Distribution channels or points of sales;
- Pricing;
- Product quality and reliability;
- Range of products and/or brands; and
- Targeted end-user markets namely, participants of the healthcare industry and life sciences industry.

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**3.4.2 Barriers to Entry**

The medical device industry in Malaysia has relatively high barriers to entry. Factors that need to be considered by potential market entrants are as follows:

- 1) High Capital Investment – A huge capital outlay is required to enter the medical devices industry largely due to the need to invest in manufacturing facility, high-end production equipment and machinery, technology licensing, marketing and branding activities, storage facility and manpower. Given the need to drive long term productivity, medical device manufacturers need to incur high research and development expenditure for product innovation. As for potential distributors, there are less demanding capital outlays as they do not have to invest in a manufacturing and/or research and development facilities. The extent of their capital needs is mostly dependent on their intended scale of operations. They may need to invest in a warehouse and be required to purchase a large amount of stocks as well as manpower.

An upfront capital is required while the returns will only materialise at a later date depending on the take-up/ sales rate and timely delivery of its products. Therefore, the industry players need to have a strong financial standing in order to have access to financing facilities given by banks and financial institutions. Therefore, potential new entrants need to have a long investment horizon as this initial layout is not likely to be recovered in the short term. This forms a strong deterrent for new industry players hoping to enter the industry, especially those without existing deep financial pockets.

- 2) Established Industry Players – New entrants in all segments of the Malaysian medical devices industry are likely to encounter difficulties competing with incumbent industry players. Most medical centres prefer to purchase medical devices from reliable and reputable manufacturers or suppliers that possess sound technical knowledge and established reputation. Established industry players typically have relatively long-term relationship with their respective customers and therefore, they stand to enjoy a greater goodwill. Building a viable and strong business relationship is not an easy task for any potential new entrants as relationships require a significant amount of time to establish. Once the relationship is sufficiently strong where trust and confidence are well established, it would be difficult to break this partnership. In addition, new market entrants will likely face difficulty in getting favourable financing facilities with a proven track record, thus reducing their competitiveness considerably.

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- 3) Technical Skills and Expertise - A medical devices industry requires technically-skilled personnel and expertise from medicine and engineering background as well as from other related disciplines such as legal, regulatory, intellectual property and marketing. These specific expertise in relation to medical devices are required to develop a product, construct a medical facility for research and development and for use in hospitals and medical centres, to build network of suppliers and customers and to run a medical devices company. In addition, industry players need to be mindful that their customers may also require updates on the development of various medical devices products include materials used, designs and applications of the products. Thus, new market entrants would require time and financial resources to access to this pool of professional engineers, technical personnel and skilled labour with the necessary qualification and experiences in order to keep up with medical devices industry.
- 4) Licensing Requirement – The medical devices industry in Malaysia is regulated by the Malaysia Government, and it is mandatory for all manufacturers, authorised representatives, importers and distributors whether local or foreign to register with the Medical Devices Authority as an establishment before they can undertake activities involve manufacturing, import, distribution and/or advertising of medical devices in Malaysia. The Medical Devices Authority set out a list of requirements and procedures including compliance with good manufacturing and/or distribution practices, registration of a valid establishment licence and registration of medical devices to import, export or place a medical device for sale in Malaysia.

3.4.3 Comparison between Best Contact Sdn Bhd (“Best Contact”) and Maymedic Technology Sdn Bhd (“Maymedic”) and Selected Industry Players

BCM through Best Contact and Maymedic are involved in the supply, installation, testing and commissioning of medical devices. Best Contact is involved in the provision of diagnostic imaging equipment, while Maymedic is involved in the distribution of disinfection, sterilisation and surgical room equipment. Given the huge number of participants and the nature of the market where market participants may focus on certain or multiple products and types, or cater to different target markets, or diversify into other related/non-related businesses, it is difficult to perform a direct or like-for-like comparison on market participants with BCM.

For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players in Malaysia for comparison with Best Contact and Maymedic:

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- Involved in the provision of sterilisation and disinfection equipment and/or diagnostic imaging equipment; and
- Registered an annual revenue of above RM10 million.

After taking into consideration of the above criteria, Protégé Associates has selected five comparable companies namely Abex Medical System Sdn Bhd, LAC Medical Supplies Sdn Bhd, IDS Medical Systems (M) Sdn Bhd, Anugerah Saintifik Sdn Bhd and Alam Medik Sdn Bhd. The details of the selected industry players are as follows:

- Abex Medical System Sdn Bhd (“Abex Medical System”)

Abex Medical System was incorporated on 11 August 1981 as a private limited company. The company is involved in the sale and marketing, supply, rental installation, testing, commission, maintenance and repair of medical equipment. Abex Medical System’s product offerings are diagnostic imaging equipment including X-ray, MRI, CT, ultrasound and therapeutic radiation equipment. Abex Medical System is an authorised distributor for Toshiba Medical Systems Corporation.
- LAC Medical Supplies Sdn Bhd (“LAC Medical Supplies”)

LAC Medical Supplies was incorporated on 31 December 2013 as a private limited company. The company is engaged in the business of supplying medical goods and equipment. LAC Medical Supplies’ product offerings are medical imaging equipment including digital radiography systems, ultrasound systems, CT systems, medical imaging consumables and accessories. LAC Medical Supplies is an authorised distributor for Samsung Electronics Medical Equipment.
- IDS Medical Systems (M) Sdn Bhd (“IDS Medical Systems”)

IDS Medical Systems was incorporated on 27 June 2011 as a private limited company. The company is involved in provision of sales and maintenance of medical equipment, devices and supplies. IDS Medical Systems’ product offerings are critical care devices, surgical workplace systems, diagnostic imaging equipment, beds and furniture, consumables, infection control equipment and products, healthcare education and IT.
- Anugerah Saintifik Sdn Bhd (“Anugerah Saintifik”)

Anugerah Saintifik was incorporated on 25 June 1999 as a private limited company. The company is engaged in the business of supplying all kinds of medical equipment and other related products and services. Anugerah Saintifik’s product offerings are patient monitoring devices and sterilisation and disinfection equipment.

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- Alam Medik Sdn Bhd ("Alam Medik")

Alam Medik is a subsidiary of Prima Group of Companies, incorporated on 11 September 1979 as a private limited company. The company is engaged in the business of trading in hospital supplies and medical equipment including pharmaceutical products on a tender and indent basis.

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Figure 15: Comparison between Best Contact, Maymedic and Selected Industry Players in the Medical Devices Industry for Disinfection and Sterilisation Equipment and Diagnostic Imaging Equipment in Malaysia

| Indicator | Abex Medical System 31 March 2015 | LAC Medical Supplies 31 December 2014 | IDS Medical Systems 31 March 2015 | Anugerah Saintifik 31 December 2014 | Alam Medik 31 January 2015 | Best Contact 31 December 2015 | Maymedic 31 December 2015 |
|---|--------------------------------------|--|--------------------------------------|--|-------------------------------|----------------------------------|------------------------------|
| Information from the Financial Year Ended | | | | | | | |
| Revenue (RM) | 181,990,460.00 | 21,923,322 | 149,311,111 | 20,585,978 | 163,719,659 | 17,257,644 | 7,668,235 |
| Profit before Tax (RM) | 21,554,234.00 | 1,365,527 | 2,094,320 | 4,425,028 | 2,342,037 | 2,051,642 | 131,413 |
| Profit after Tax (RM) | 44,181,898.00 | 937,445 | 2,047,868 | 4,182,658 | 1,803,633 | 1,618,818 | 55,549 |
| Non-current Assets (RM) | 43,286,408.00 | 1,301,106 | 71,858,022 | 3,814,687 | 837,898 | 4,118,918 | 1,529,706 |
| Current Assets (RM) | 112,160,762.00 | 12,028,501 | 87,039,813 | 11,978,190 | 59,839,412 | 8,598,806 | 4,719,121 |
| Non-current Liabilities (RM) | 4,059,191.00 | 1,153,252 | 79,016,480 | 663,870 | 33,623 | 2,551,859 | 996,293 |
| Current Liabilities (RM) | 73,515,597.00 | 8,174,799 | 70,790,278 | 5,750,221 | 46,136,767 | 4,509,565 | 2,541,432 |
| Profit before Tax Margin (%) | 11.8 | 6.2 | 1.4 | 21.5 | 1.4 | 11.9 | 1.7 |

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

| Indicator | Abex Medical System | LAC Medical Supplies | IDS Medical Systems | Anugerah Saintifik | Alam Medik | Best Contact | Maymedic |
|------------------------------|---------------------|----------------------|---------------------|--------------------|------------|--------------|-----------|
| Working Capital (RM) | 38,645,165 | 3,853,702 | 18,249,535 | 6,227,969 | 13,702,645 | 4,089,241 | 2,177,689 |
| Current Ratio (Times) | 1.53 | 1.47 | 1.26 | 2.08 | 1.30 | 1.91 | 1.86 |
| Asset Turnover Ratio (Times) | 1.17 | 1.64 | 0.93 | 1.30 | 2.70 | 1.36 | 1.23 |

Notes:

- 1) The list of selected industry players above is not exhaustive; and
- 2) The above figures provide an indication of industry players' performance and the data is not directly comparable due to the following reasons:
 - Not all industry players have the same financial year end; and
 - Not all companies carry out activities that are completely similar to each other or in the same geographical area.

Sources: Companies Commission of Malaysia and Protégé Associates

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7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH RERORT (Cont'd)



3.4.4 Best Contact and Maymedic's Market Share Analysis

For the financial year ended 2015, Best Contact and Maymedic generated revenue of RM17.3 million and RM7.7 million, respectively, which is equivalent to less than one percent share of the medical devices industry in Malaysia in 2015. This is based on Best Contact and Maymedic's revenue of RM17.3 million and RM7.7 million respectively against total market size (revenue) of the medical devices industry in Malaysia of RM10.24 billion in 2015.

3.5 Demand and Supply Conditions

Figure 16: Demand and Supply Conditions Affecting the Medical Devices Industry in Malaysia, 2016

| Condition | Type | Impact |
|---|--------|----------|
| Growing and Ageing Population | Demand | Positive |
| Growing Prevalence of Chronic Lifestyle Diseases | Demand | Positive |
| Increase Expenditure on Healthcare Products and Services | Demand | Positive |
| Growing Healthcare Travel Industry | Demand | Positive |
| Increasing Number of Healthcare Providers | Demand | Positive |
| Strong Government Support | Supply | Positive |
| Presence of Established Supporting Industries | Supply | Positive |
| Increasing Competition in the Global Medical Devices Market | Supply | Negative |

Source: IMR Report

3.5.1 Demand Conditions

Growing and Ageing Population

The Malaysian population is expected to continue growing at a steady pace. According to the Population Projections of Malaysia, 2010-2040, the total population of Malaysia was 28.6 million in 2010 and is projected to grow steadily to reach 38.6 million in 2040. An increase in population indicates a larger pool of potential patients and end-users of medical devices.

Malaysia has exhibited an ageing population trend mainly due to increasing life expectancy and/or declining birth rate. A low birth rate is mainly the result of increasing urbanisation which is associated with increased cost of living cost and a busy lifestyle which render it less conducive for family planning. Increasing life expectancy is primarily due to improved living conditions from increased wealth, access to better healthcare and sanitation as well as overall economic and political stability. An ageing population is expected to lead to an increasing likelihood of health problems, age-related diseases such as arthritis and cardiovascular

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH RERORT
(Cont'd)



disease, higher occurrence of chronic lifestyle diseases, which in turn an increase in demand for healthcare services. The increasing demands for healthcare services will likely drive demand for medical devices. Malaysia is anticipated to become an aging population when the population of Malaysians aged 65 and above reaches 7.0 percent of total population by 2021. By 2040, the population of Malaysians aged 65 and above is projected to increase by more than three-fold of the 2010 population from 1.4 million to 4.4 million. Therefore, the demand for medical devices is anticipated to remain strong throughout the forecast period.

Growing Prevalence of Chronic Lifestyle Diseases

Stressful and sedentary lifestyle with lack of regular exercise, consumption of processed foods which generally have higher saturated fat content and lower nutritional values as well as regular consumption of alcohol and tobacco have contributed to the growing prevalence of chronic lifestyle diseases. These chronic lifestyle diseases or non-communicable diseases such as obesity, heart disease, diabetes, hypertension and cancers are prevalent amongst Malaysian regardless of age, gender or race.

There are expected to be many more Malaysians who suffer from these chronic lifestyle diseases that are still undiagnosed, the prevalence of such diseases is also expected to continue on a growing trend throughout the forecast period from 2016 to 2020. The consequences of chronic lifestyle diseases ranges from an adverse impact on the quality of life to an increased risk of premature death, consequently resulting in high healthcare expenditure and a greater demand for healthcare services. These chronic lifestyle diseases are difficult to be comprehensively cured and must be treated and managed over a lifetime, hence creating a sustained demand for use of medical devices, spurring the demand for medical devices throughout the forecast period from 2016 to 2020, and throughout the lifetimes of these patients, who will likely require constant treatment to manage their diseases.

Increase in Expenditure on Healthcare Products and Services

Driven by the increasing awareness of health and the availability of more disposal income, Malaysia has experienced a rapid expansion of healthcare expenditure over the last ten years. Total expenditure on health to GDP has elevated by 37.6 percent, from 3.30 percent of GDP in 2000 to 4.54 percent of GDP in 2014.

The per capita spending on healthcare had increased by more than two-fold from RM748 in 2000 to RM1,643 in 2014. Malaysian expenditure on healthcare products and services

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(Cont'd)



persisted on its upward growing trend as a result of increasing cost of healthcare. In response to greater awareness of health in Malaysia, and with the availability of more disposal income, the general population is expected to be more inclined to spend more on healthcare products and services including home-monitors and regular check-ups at clinics and hospitals in order to continually improve their quality of life.

Given the anticipated growth in health expenditure, it is expected that the demand for medical devices in Malaysia will also increase in tandem throughout the forecast period. Expenditure on medical devices such as home blood monitors, diagnostics imaging and blood analysers are expected to gain substantially from the greater willingness to spend on healthcare products and services. These products are no longer thought of as optional, as Malaysia's overall affluence has increased the general population's concerns with regards to ensuring their health and quality of life.

Growing Healthcare Travel Industry

The Malaysian healthcare travel industry has grown steadily and continues to record double-digit growth in terms of revenue generation and number of healthcare travellers since 2010. In 2015, the healthcare travel industry generated revenue of RM901 million and registered 850,000 healthcare travellers to Malaysia.

The growth in Malaysia's healthcare travel industry creates greater demand for medical devices in Malaysia as it brings in a larger pool of potential consumers from other countries. The healthcare travel industry is poised to grow in long term with its inclusion as one of the EPP ("Entry Point Project") under healthcare New Key Economic Area ("NKEA") in Economic Transformation Programme ("ETP"). The number of health travellers is expected to reach 1.9 million in 2020 – spurring a higher demand for medical devices stemming from healthcare travel demand in Malaysia.

Additionally, the number of Malaysia Healthcare Travel Council ("MHTC") approved and registered hospitals and other healthcare facilities amounted to 83 as at 30 November 2015. These healthcare providers are subject to stringent evaluation by a selection committee consisting of representatives from both private and government sector before they can be approved and registered with the MHTC. Among the benefits of being a MHTC approved and registered healthcare providers are marketing and exposure through MHTC's international marketing programmes, recognition and promotion as a quality provider of healthcare travel

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH RERORT
(Cont'd)



services for international patients, incentives given by the Government, and income tax exemption on qualifying expenditure on improving healthcare travel infrastructure.

The participation of healthcare providers has underscored their continued interest in establishing footprint in the healthcare travel segment. In order to cater to a larger pool of potential incoming demand as well as further entrenching their businesses within this segment, there are expected to ramp up their capability and capacity leading to higher demand for medical devices. Given the growth in healthcare travel industry, it is expected that the demand for medical devices in Malaysia will continue to grow in tandem throughout the forecast period.

Increasing Number of Healthcare Providers

Healthcare in Malaysia operates under a two-tier healthcare system consisting of a government-run universal health system (public healthcare sector) and a co-existing private healthcare system (private healthcare sector). As at 31 December 2014, there were a total of 334 hospitals in Malaysia comprised of 150 public hospitals and 184 private hospitals. Public hospitals are Government-owned hospitals operated under public funding by the MoH. Majority of the private hospitals are part of the network of hospitals operated by several major private healthcare groups such as KPJ Healthcare Berhad, Columbia Asia Sdn Bhd, IHH Healthcare Berhad and Sime Darby Healthcare Sdn Bhd.

Under the Eleventh Malaysia Plan ("11MP"), the Government has planned for the construction of six new hospitals in Kemaman, Bentong, Pendang, Pasir Gudang and Maran in the Peninsular Malaysia for the period of 2016 to 2020. Upgrading works are expected to be implemented for three existing hospitals, namely Hospital Tawau and Hospital Kota Marudu in Sabah and Hospital Miri in Sarawak. The Malaysian Government is also committed to the construction of the Sri Aman Hospital in Sarawak which is expected to be completed by 2018.

Furthermore, Khazanah Nasional Berhad, the strategic investment fund of the Malaysian Government, also announced in September 2015, to committing a capital expenditure of RM670 million between 2015 and 2017 through IHH Healthcare Berhad, for the expansion of existing private hospitals and construction of new hospitals in Medini Iskandar Johor, Johor, Kuala Lumpur, Wilayah Persekutuan, Klang, Selangor, Malacca and Kota Kinabalu. Khazanah Nasional Berhad also announced its intention to invest approximately RM100 million in a new in-patient rehabilitation hospital over the next two years. The in-patient rehabilitation hospital business will be collaboration between Khazanah Nasional Berhad and a foreign technical

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH RERORT
(Cont'd)



operator and equity partner. Additionally, KPJ Healthcare Group has also planned to establish a minimum of two new private hospitals per annum for the next five years from 2016 to 2020, as part of their strategy for continued growth.

The number of hospitals in Malaysia is expected to continue to increase steadily. The increasing number of these healthcare providers provides a steady demand for medical devices. Upgrading work on existing hospitals which includes the replacement of existing equipment is also expected to drive demand for medical devices.

3.6.2 Supply Conditions

Strong Government Support

The Malaysian Government has given keen attention to the potential of the local medical devices manufacturing industry. Eight EPPs under the healthcare NKEA of the ETP were announced for the medical devices sector by the Government. These are envisaged to contribute to a GNI of RM11.4 billion by 2020.

The Malaysian Government has agreed to an Off-take Agreement ("OTA") that encourages the production and consumption of locally-made medical devices with the possibility of supplying these locally-made medical devices products to the Malaysian Government. The implementation of the OTA is also expected to result in more local production of medical devices with MNCs partnering with local manufacturers to manufacture their products in Malaysia for the local as well as the international markets. This can help to raise the standard of locally produced medical devices in line with internationally accepted standards, as well as introduce new technology to local manufacturers, thus enhancing their capability.

Additionally, the Malaysian Government has also brought forward the implementation of the Medical Devices Act 2012 in a further effort to control product quality and safety aspect in the medical devices industry. It was decided that all new placements of medical devices must be registered in accordance with this standard set forth in the Medical Devices Act 2012 by July 2015. This is a crucial development and could potentially aid Malaysian medical device manufacturers towards gaining more market share in the ASEAN region.

In addition to the ETP and the implementation of the Medical Devices Act 2012, the Third Industrial Master Plan ("IMP3") implemented from 2006 to 2020 spells out four thrusts to develop the Malaysian medical devices industry. A total of RM19.4 billion has been targeted for investment into the medical devices industry in Malaysia. Export of medical devices and

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(Cont'd)



products is also estimated to achieve an 8.6 percent growth from 2006 to 2020, reaching RM18.4 billion by 2020. With these initiatives in place, government support is expected to continue bearing positively on the medical devices industry throughout the forecast period.

Presence of Established Supporting Industries

The medical devices industry is supported by a growing network of suppliers from various supporting industries. The supporting industries capable of meeting the needs of the medical devices industry are the machinery and equipment ("M&E") industry, the engineering supporting industry and the electronic manufacturing services ("EMS") market.

The M&E industry in Malaysia is driven by high technological advancement and process specialisation and customer requirements. It offers industrial automation processes, and the conceptualisation and building of specialised automation equipment. Hence, the M&E industry has the capabilities to meet the stringent requirements of the medical devices industry. The M&E that can be produced are packaging machineries, labelling equipment, heat sealing machines, assembly systems and other specialised M&E for medical purposes.

The engineering supporting industry in Malaysia has achieved international recognition in terms of capability and quality in a diverse range of products namely, mould and dies, metal casting and machining, surface engineering and metal fabrication. The engineering supporting industry has the capability to produce components and sub-assemblies, and to provide solutions to meet the stringent requirements of medical devices industry. The products and services that can be offered for medical devices industry are precision machining, die casting parts, metal injection mouldings and instrumentation control and quality control.

Lastly, the rapid development of the electronic and electrical industry has encouraged the growth of the EMS market in Malaysia. The EMS market offers manufacturing of products and parts for OEM and original design manufacturers ("ODM"). As such, the EMS market players can provide whole manufacturing solutions from product design, manufacturing to distribution services. The sterilisation service is an example of EMS that can be offered to the medical devices industry.

Overall, the availability of these established supporting industries has positioned Malaysia as an ideal location for the manufacture of medical devices products and global supplier of parts and components, with the potential to be developed into a medical devices hub for both manufacturing and R&D in ASEAN region.

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(Cont'd)

**Increasing Competition in the Global Medical Devices Market**

The Malaysian medical devices industry is facing competition in its export of medical devices and products. Other Asian countries like China, Korea and Taiwan are recognised as leading manufacturing countries which produce and export a large quantity of medical devices. These countries are also putting efforts into expanding their presence in the global medical devices market. There have been consolidations in the medical device industry where large medical device companies are merging with one another and acquiring mid-sized medical device companies. These consolidation strategies may represent a threat to Malaysia's medical devices industry in gaining a foothold in the global market as the local medical devices industry may be lacking into terms of capital funding or design and technological capabilities which may lead to lack of interest in pursuing the business opportunity. Henceforth, it is vital for the Malaysian medical devices industry to develop a competitive edge to withstand this competition in order to retain or increase its market shares in the global medical devices market. This market restraint is likely to remain moderate throughout the forecasted period.

3.6 Reliance on and Vulnerability to Imports

Despite the capability of Malaysia's medical devices industry in manufacturing of medical devices, the domestic demand for medical devices especially high-value added products such as diagnostic imaging equipment and disinfection and sterilisation equipment are still reliant on imports. Total imports of medical devices were estimated at about RM4.15 billion in 2015. These imports constituted 40.5 percent share of the medical devices industry in Malaysia. Medical device manufacturers operating in the local industry are hence vulnerable to competition from imported products. This vulnerability stems from the lack of proprietary development capabilities to compete with imported brand names.

In terms of raw materials, local production of medical devices only relies to some extent on imported raw materials such as electronics parts. In addition, the medical devices industry is reliant on high-skilled workers for their technical expertise in installation, calibration, maintenance, repair, user training and decommissioning of medical devices, and such high-skilled local workers are limited in Malaysia.

3.7 Substitute Products or Services

Medical devices include all the medical technologies, supplies and equipment except for drugs that are used in the diagnosis, prevention, monitoring or treatment of illnesses or diseases. They are essential supplies to hospitals and medical centres. As such, there are currently no effective substitutes to medical devices as a whole category.

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**3.8 Relevant Laws and Regulations Governing the Industry and Peculiarities of the Industry****3.8.1 Relevant Laws and Regulations Governing the Industry****Medical Device Authority Act 2012**

The Medical Device Authority Act 2012 came into effect on 15 March 2012, to provide for the establishment of the Medical Device Authority, to control and regulate medical devices, the medical device industry and its activities and to enforce the MDA 2012.

Medical Device Act 2012 and Medical Device Regulation 2012

The MDA 2012 and MDR 2012 came into effect on 30 June 2013 and 1 July 2013 respectively, to implement a regulatory framework for the medical devices industry in Malaysia. The following highlights the relevant provisions under the MDA 2012 and the MDR 2012:

1) Licensing of Establishments

An establishment as defined under the MDA 2012 refers to manufacturers, importers, distributors and local authorised representatives excluding retailers. An establishment must obtain a valid establishment licence to import, export or place a medical device for sale in Malaysia.

2) Registration of Medical Devices

The MDA 2012 introduces a mandatory requirement for medical devices to be registered with the Medical Device Authority through an online, web-based system called the Medical Device Centralised Online Application System ("MEDCAST") before it can be imported, exported or placed in the market. Section 80(1) of the MDA 2012 states that a person who has imported, exported or placed any medical devices in the market prior to 30 June 2013, shall apply for the registration of the medical devices within 24 months from 30 June 2013 to 30 June 2015. Subsequently, pursuant to the Medical Device (Exemption) Order 2015 issued on 26 June 2015 by the MoH, any person who has submitted an application for registration of a medical device between 1 July 2015 until 30 June 2016 is allowed to continue import, export or place in the market pending determination of the application.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
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**Good Distribution Practice for Medical Devices ("GDPMD")**

The GDPMD came into operation on 1 July 2013, specifying the requirements for a quality management system ("QMS") to be established, implemented and maintained by an establishment carrying out activities in the medical device supply chain to comply with regulatory requirements stipulated in the MDA 2012 and the MDR 2012. The GDPMD requires an establishment to demonstrate its ability to maintain the quality, safety and performance of medical devices in compliance with the regulatory requirements throughout the supply chain.

Atomic Energy Licensing Act 1984

The Atomic Energy Licensing Act 1984 ("Atomic Energy Licensing Act") provides for the regulation and control of atomic energy, the establishment of standards on liability for nuclear damage and other related matters. The Atomic Energy Licensing Board ("AELB") was then established to ensure the safety, security and safeguarding nuclear activities. In particular, the Atomic Energy Licensing (Basic Safety Radiation Protection) Regulations 2010 promulgated under the Act describe the principles of radiation protection and safety such as system of dose limitation, medical exposure, operational radiation protection and role of licensee and radiation worker.

Quality and Safety Standard

The following highlights the standards that the industry players in the medical devices industry in Malaysia should take into consideration:

1) ISO 9000

ISO 9000 is a family of standards that is maintained by the International Organisation for Standardisation and catered for QMS.

2) ISO 13485

ISO 13485 is the standard for QMS where a company needs to demonstrate its ability to provide medical devices and related services that consistently meet customer requirements and regulatory requirements applicable to medical devices and related services.

3) ISO 14000

ISO 14000 is the standard for environment management system. Compliance with this standard helps a company to fulfil its social responsibility in safeguarding the environment.

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4) ISO 14971

ISO 14971 is the standard for risk management in the medical device design, development, and manufacture as well as for monitoring of safety and performance of the medical device after sale.

5) ISO/ICS 11

ISO/ICS 11 is the standard for health care technology. It offers documentation for terminology, concept, safety and performance for health care technology. Particularly, ISO/ICS 11.040 is related to medical equipment such as surgical instruments, diagnostic equipment, syringes, needles and catheters, the ISO/ICS 11.080 is related to sterilisation and disinfection and ISO/ICS 11.140 is for hospital equipment such as hospital bed, surgical table, medical garment and medical glove.

6) IEC/TC 62

IEC/TC 62 is a standard maintained by the International Electrotechnical Commission in relation to terminology, concept, safety and performance for electrical equipment used in medical practice.

3.8.2 Industry-related Government Policies**Third Industrial Master Plan ("IMP3") (2006-2020)**

The IMP3 spells out four thrusts for the development of medical devices industry in Malaysia, including:

- Broadening the range of products towards the higher-end category such as orthopaedic devices, diagnostic equipment, medical imaging equipment and hospital and laboratory equipment;
- Promoting foreign direct investments and domestic investments in the industry such as through development of an integrated cluster of manufacturers of medical devices and medical technology companies, participation of SMEs as sub-vendors to the main suppliers of the MNCs and strategic alliances or joint venture between local companies and MNCs;
- Expanding the range of support industries and services for the industry such as precision engineering, electronics, tool and die making, automation support, contract moulding and assembly as well as metal and plastic sheet fabrication; and

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- Strengthening the institutional support for enhancing human resource development, R&D and compliance to international standards and regulations such as through fostering collaboration between the industry, universities and research institutes, strengthening the registration of medical devices, and provision of support to manufacturers for compliance with local and international standards.

Malaysian Investment Development Authority ("MIDA") Incentives

The manufacturing of medical devices and related products is categorised as promoted activities or promoted products.

Environmental Regulations

Manufacturing companies, including those involved in manufacturing medical devices also need to comply with the Environmental Quality Act, 1974 and other relevant environmental-protection related legislations. They need to be mindful of adhering to these regulations particularly on the disposal of sewage and industrial effluents.

Regional Scheme

Locally manufactured medical devices are expected to face competition from imported products from ASEAN member countries in line with the implementation of the ASEAN Free Trade Agreement ("AFTA"). As part of the AFTA, intra-regional tariffs are reduced to 0 to 5 percent through the Common Effective Preferential Tariff ("CEPT"). Hence, imported products from ASEAN member countries are competing on the same platform with minimal or no import duties.

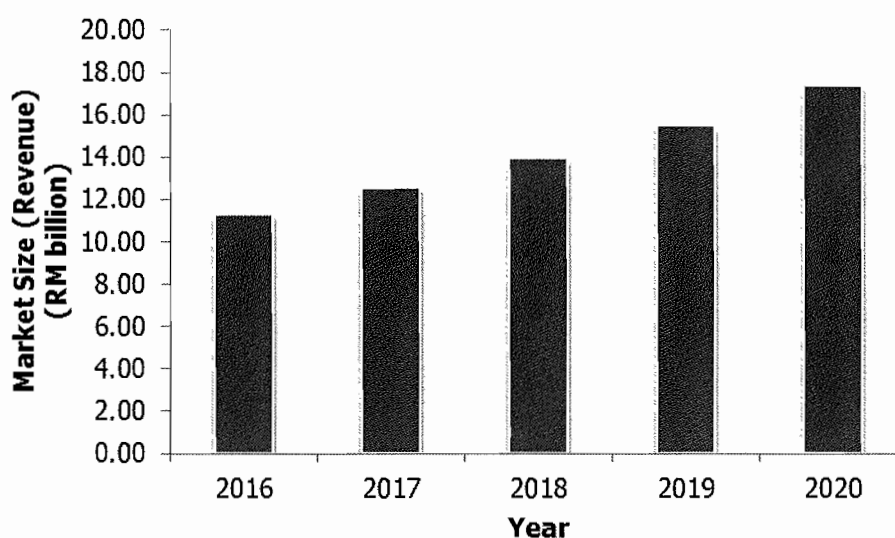
3.9 Prospects and Outlook of the Medical Devices Industry in Malaysia

The medical devices industry in Malaysia was valued at RM10.24 billion in 2015, having expanded with a 10.1 percent growth from the previous year. The growth trend is expected to continue during the forecast period, with the market experiencing steady growth.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



Figure 17: The Forecast Market Size (Revenue) of the Medical Devices Industry in Malaysia, 2016-2020



Source: IMR Report

The positive outlook on the demand for medical devices in Malaysia stems mainly from Malaysia's growing and ageing population, the growing prevalence of chronic lifestyle diseases and increasing healthcare expenditure on healthcare services, leading to greater demand for use of medical devices, the increasing number of healthcare providers and a growing healthcare travel industry.

On the supply side, although the industry is expected to be boosted by strong government support and presences of established supporting industries, it faces the competition from other Asian countries such as India, China, Korea and Taiwan in the global medical devices market. Stiff competition within an increasingly lucrative global market is expected to persist into the long run future. Henceforth, it is vital for Malaysian medical devices industry to develop forms of competitive edge to withstand this competition in order to increase its market share and penetration in the global medical devices market, evidenced by the gradual shifts from manufacturing of rubber-based medical devices to non-rubber based higher value-added medical devices. The availability of more medical devices in the market is expected to further support the growth of distribution segment as authorised representatives and distributor remained vital in their role as an integral link between the manufacturers and end-users.

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Moving forward, the forecast CAGR for the medical devices industry from 2016 to 2020 is 11.2 percent. The size (revenue) of the industry is expected to reach RM17.41 billion in 2020.

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Seow Cheow Seng", is written over a faint, light-colored grid or watermark.

SEOW CHEOW SENG

Managing Director

Protégé Associates Sdn. Bhd.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:-

| Name | Nationality | Before IPO ⁽¹⁾ | | | | After IPO ⁽²⁾ | | | |
|----------------|-------------|---------------------------|------|---------------|---|--------------------------|------|---------------|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Koh Lap Hing | Malaysian | 60,660,000 | 18.0 | - | - | 53,077,500 | 12.6 | - | - |
| Liaw Chong Lin | Malaysian | 57,290,000 | 17.0 | - | - | 50,128,700 | 11.9 | - | - |
| Lim Jit Wei | Malaysian | 53,920,000 | 16.0 | - | - | 47,180,000 | 11.2 | - | - |
| Chung Eng Lam | Malaysian | 57,290,000 | 17.0 | - | - | 50,128,700 | 11.9 | - | - |
| Hew Chun Shun | Malaysian | 60,660,000 | 18.0 | - | - | 53,077,500 | 12.6 | - | - |

Notes:-

- (1) Based on the issued and paid-up share capital of 337,000,200 Shares after the Acquisitions and Vendors' Shareholding Reorganisation.
- (2) Based on the enlarged issued and paid-up share capital of 421,250,200 Shares after completion of our IPO.

8.1.2 Profiles of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:-

- (a) **Koh Lap Hing**, a Promoter and substantial shareholder, is also our Non-Independent Executive Deputy Chairman. His profile is disclosed in Section 8.2.2 of this Prospectus.
- (b) **Liaw Chong Lin**, a Promoter and substantial shareholder, is also our Managing Director. His profile is disclosed in Section 8.2.2 of this Prospectus.
- (c) **Lim Jit Wei**, a Promoter and substantial shareholder, is also our Executive Director. His profile is disclosed in Section 8.2.2 of this Prospectus.
- (d) **Chung Eng Lam**, a Promoter and substantial shareholder, is also our Executive Director. His profile is disclosed in Section 8.2.2 of this Prospectus.
- (e) **Hew Chun Shun**, a Promoter and substantial shareholder, is also our Executive Director. His profile is disclosed in Section 8.2.2 of this Prospectus.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**8.1.3 Changes in the Promoters', Vendors and substantial shareholders' shareholdings in our Company since our incorporation**

The changes in our Promoters and substantial shareholders' respective shareholdings since our Company's incorporation are as follows:-

| Promoters/ Substantial Shareholders/ Vendors | As at incorporation | | | After the Acquisitions | | | As at LPD ⁽¹⁾ | | | After our IPO ⁽²⁾ | | |
|---|--------------------------|--------------------------|----------|--------------------------|--------------------------|--------------|--------------------------|---------------------------|--------------|------------------------------|--------------------------|----------|
| | Direct | Indirect | % | Direct | Indirect | % | Direct | Indirect | % | Direct | Indirect | % |
| | No. of Shares held | No. of Shares held | | No. of Shares held | No. of Shares held | | No. of Shares held | No. of Share s held | | No. of Shares held | No. of Shares held | |
| Koh Lap Hing | - | - | - | 74,804,836 | - | 22.2 | 60,660,000 | - | 18.0 | 53,077,500 | - | 12.6 |
| Liaw Chong Lin | - | - | - | 43,070,000 | - | 12.8 | 57,290,000 | - | 17.0 | 50,128,700 | - | 11.9 |
| Lim Jit Wei | - | - | - | 53,925,492 | - | 16.0 | 53,920,000 | - | 16.0 | 47,180,000 | - | 11.2 |
| Chung Eng Lam | - | - | - | 65,324,836 | - | 19.4 | 57,290,000 | - | 17.0 | 50,128,700 | - | 11.9 |
| Hew Chun Shun | - | - | - | 65,624,836 | 9,180,000 | 19.5 | 60,660,000 | - | 18.0 | 53,077,500 | - | 12.6 |
| Kew Kin Chee | - | - | - | 8,920,000 | - | 2.6 | 16,850,000 | - | 5.0 | 14,743,700 | - | 3.5 |
| Chong Wai Mun | - | - | - | 8,050,000 | - | 2.4 | 16,850,000 | - | 5.0 | 14,743,700 | - | 3.5 |
| Chung Mei Sun | - | - | - | 5,400,000 | - | 1.6 | 6,740,000 | - | 2.0 | 5,897,700 | - | 1.4 |
| Lim Tow Keng | - | - | - | 2,700,000 | - | 0.8 | 6,740,000 | - | 2.0 | 5,897,500 | - | 1.4 |
| Shet Lai Choo ⁽³⁾ | - | - | - | 9,180,000 | - | 2.7 | - | - | - | - | - | - |
| Lim Yuet Choon | 100 | 50.0 | - | 100 | - | ~ | 100 | - | ~ | 100 | - | ~ |
| Shet Lai Chan | 100 | 50.0 | - | 100 | - | ~ | 100 | - | ~ | 100 | - | ~ |
| Total | 200 | 100.0 | - | 337,000,200 | 100.0 | 100.0 | 337,000,200 | 100.0 | 100.0 | 294,875,200 | 70.0 | - |

Notes:-

~ Less than 0.01%

(1) Based on the issued and paid up share capital of 337,000,200 Shares and after the completion of the Acquisitions and Vendors' Shareholding Reorganisation but before the Public Issue.

(2) Based on the enlarged issued and paid up share capital of 421,250,200 Shares, after the Public Issue and Offer for Sale.

(3) Shet Lai Choo is the spouse of Hew Chun Shun.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.1.4 Persons exercising control over the corporation

Save for our Promoters, namely Koh Lap Hing, Liaw Chong Lin, Lim Jit Wei, Chung Eng Lam and Hew Chun Shun, we are not aware of any other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

8.2 DIRECTORS

8.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:-

| Name | Designation/ Nationality | Before IPO ⁽¹⁾ | | | | After IPO ⁽²⁾⁽³⁾ | | | |
|----------------------------|---|---------------------------|------|------------------|---|-----------------------------|------|------------------|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Datuk Chin Goo Chai | Independent Non-Executive Chairman/ Malaysian | - | - | - | - | 500,000 | 0.1 | - | - |
| Koh Lap Hing | Non-Independent Executive Deputy Chairman/ Malaysian | 60,660,000 | 18.0 | - | - | 53,077,500 | 12.6 | - | - |
| Liaw Chong Lin | Managing Director/ Malaysian | 57,290,000 | 17.0 | - | - | 50,128,700 | 11.9 | - | - |
| Lim Jit Wei | Executive Director/ Malaysian | 53,920,000 | 16.0 | - | - | 47,180,000 | 11.2 | - | - |
| Chung Eng Lam | Executive Director/ Malaysian | 57,290,000 | 17.0 | - | - | 50,128,700 | 11.9 | - | - |
| Hew Chun Shun | Executive Director/ Malaysian | 60,660,000 | 18.0 | - | - | 53,077,500 | 12.6 | - | - |
| Datin Latiffah binti Endot | Independent Non-Executive Director/ Malaysian | - | - | - | - | - | - | - | - |
| Ng Kok Wah | Independent Non-Executive Director/ Malaysian | - | - | - | - | 200,000 | ~ | - | - |

Notes:-

~ Less than 0.01%.

(1) After the Acquisitions and Vendors' Shareholdings Reorganisation but before the Public Issue.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

- (2) Assuming that our eligible Directors fully subscribe to all of the Issue Shares offered to them under the Pink Form Allocations.
- (3) After the Offer for Sale.

8.2.2 Profiles of our Directors

The profiles of our Directors are as follows:-

- (a) **Datuk Chin Goo Chai**, a Malaysian, aged 61, is our Independent Non-Executive Chairman and was appointed to our Board on 2 November 2015. 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 MOH.

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 MOH. 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 MOH 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 MOH in 2007. In November 2014, he retired from the Malaysian public service.

Throughout his tenure with the MOH, 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:-

| No. | Government council | Position held/Year | Description |
|-----|------------------------------|---------------------|---|
| (i) | National Measurement Council | Member/2011 to 2012 | Established under the National Measurement System Act, 2007 to, <i>inter alia</i> , advise the Minister of Domestic Trade, Cooperatives and Consumerism of Malaysia on all matters concerning the national policy objectives for measurement system |

- (b) **Koh Lap Hing**, a Malaysian, aged 65, is our Non-Independent Executive Deputy Chairman and was appointed to our Board on 2 November 2015. 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. As the Non-Independent Executive Deputy Chairman of our Group, Koh Lap Hing advises our Managing Director in formulating the overall business strategy of our Group.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

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.

- (c) **Liaw Chong Lin**, a Malaysian, aged 54, is our Managing Director and was appointed to our Board on 2 November 2015. 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.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

- (d) **Lim Jit Wei**, a Malaysian, aged 55, is our Executive Director and was appointed to our Board on 2 November 2015. 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, which includes the following:-

- (a) managing and negotiating the sales of various industrial kitchen and laundry equipment to various industry users such as hotels, hospitals and laundrettes;
- (b) managing and supervising the operations involving commercial laundry equipment and associated equipment maintenance and services;
- (c) supervising the implementation of several projects for laundry facilities (i.e. the laundry department in its clients premises such as hotels, hospitals and traditional laundry shop); and
- (d) managing and supervising the layout and design of the laundry facility as well as equipment selection.

He left I.E. Candid Sdn Bhd at the end of 1998 and became a shareholder of CS Laundry in December 1998 and was also appointed as the Executive Director to spearhead the commercial laundry equipment business segment.

- (e) **Chung Eng Lam**, a Malaysian, aged 51, is our Executive Director and was appointed to our Board on 2 November 2015. 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.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

- (f) **Hew Chun Shun**, a Malaysian, aged 43, is our Executive Director and was appointed to our Board on 2 November 2015. He is also our Group Head of Finance, Administrative and Human Resources, whereby he is responsible for overseeing our 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, Hew Chun Shun obtained a Diploma in Electrical and Electronic Engineering from Institute Megatech, Kuala Lumpur. He also obtained 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 as its Project Manager (a position he has relinquished in 2008)⁽ⁱ⁾, 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.

Note:-

- (i) Hew Chun Shun 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 and subsequently took on the role of overseeing the overall finance, administrative and human resource functions of our Group.

- (g) **Datin Latiffah binti Endot**, a Malaysian, aged 66, is our Independent Non-Executive Director and was appointed to our Board on 2 November 2015. 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 MOH, 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.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

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.

- (h) Ng Kok Wah**, a Malaysian, aged 37, is our Independent Non-Executive Director and was appointed to our Board on 2 November 2015. In 1996, Ng Kok Wah obtained his Diploma in Accounting from the London Chamber of Commerce and Industry. He has been a member of the Association of Chartered Certified Accountants since 2002 and has been a registered chartered accountant with the Malaysian Institute of Accountants since 2003. In addition, he is also a registered financial planner under the Malaysian Financial Planning Council since 2007. He has more than fifteen (15) years of audit and accounting experience.

He began his career as a Junior Auditor in Leong Siew Hoong & Co in 1998. He left the firm in mid-2000 to join Ling Kam Hoong & Co as an Audit Supervisor until mid-2004. He then joined Morison Anuarul Azizan Chew & Co in 2004 as an Audit Manager where he was responsible for managing various audit and non-audit assignments for both public listed and non-public listed companies. He had also in 2004 incorporated a consultancy company known as ADN Management Services (M) Sdn Bhd, which was principally involved in providing secretarial, management services and consultancy services such as financial planning services including tax planning and insurance/healthcare product planning. However, the operations of ADN Management Services (M) Sdn Bhd did not commence from 2004 to 2008. In mid-2008, he left Morison Anuarul Azizan Chew & Co to fully begin and expand the operations of ADN Management Services (M) Sdn Bhd. He is also currently an Executive Director of Legacy Trend Sdn Bhd and ADG Wealth Management Sdn Bhd, the Independent Non-Executive Director of APPASIA Bhd (since July 2014) and Aturmaju Resources Berhad (since March 2013) as well as the Non-Executive Director of Gladbliss Sdn Bhd (since September 2015).

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.2.3 Directors' remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2015 and proposed for FYE 2016 are as follows:-

| Directors | Remuneration band | |
|----------------------------|---------------------|-----------------------|
| | FYE 2015 | Proposed for FYE 2016 |
| | RM | RM |
| Datuk Chin Goo Chai | - | 50,000-100,000 |
| Koh Lap Hing | 50,000-100,000 | 250,000-300,000 |
| Liaw Chong Lin | 800,000-850,000 | 1,150,000-1,200,000 |
| Lim Jit Wei | 1,100,000-1,150,000 | 1,150,000-1,200,000 |
| Chung Eng Lam | 250,000-300,000 | 950,000-1,000,000 |
| Hew Chun Shun | 250,000-300,000 | 950,000-1,000,000 |
| Datin Latiffah binti Endot | - | 0-50,000 |
| Ng Kok Wah | - | 0-50,000 |

Our Executive Directors' remuneration and material benefits-in-kind are paid based on the overall responsibilities and performances of each business segment. Moving forward, the proposed remuneration band is expected to increase in FYE 2016 as our Board shall be implementing a new incentive scheme whereby the remuneration and material benefits-in-kind of each Executive Director shall be paid based on the overall responsibilities and performances of each business segment. They shall be incentivised based on the following key parameters:-

- achievements of various key performances indicators set by our Board;
- profitability generated by each business segment;
- achievements of the future plans as stated in Section 6.3 of this Prospectus; and
- new roles and responsibilities to be assumed by our Executive Directors pursuant to our Listing.

The remuneration includes our Directors' salaries, bonuses, fees and allowances as well as other benefits, which must be reviewed, recommended and approved by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Memorandum and Articles of Association must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting whereby appropriate notice of the proposed changes should be given. Please refer to Section 15.2 of this Prospectus for further details.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.3 KEY MANAGEMENT PERSONNEL

8.3.1 Key management personnel shareholdings

The direct and indirect interests of our key management personnel (save for our Directors which is disclosed in Section 8.2.1 of this Prospectus) in our Company before and after our IPO are as follows:-

| Names | Designation/ Nationality | Before IPO ⁽¹⁾ | | | | After IPO ⁽²⁾ | | | |
|----------------|---|---------------------------|-----|--------------------------|---|--------------------------|-----|--------------------------|---|
| | | Direct | | Indirect | | Direct | | Indirect | |
| | | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % | No. of Shares held | % |
| Chong Wai Mun | General Manager of Best Contact/ Malaysian | 16,850,000 | 5.0 | - | - | 14,743,700 | 3.5 | - | - |
| Lim Tow Keng | Sales Manager of Maymedic/ Malaysian | 6,740,000 | 2.0 | - | - | 5,897,700 | 1.4 | - | - |
| Kew Kin Chee | Technical Manager of Maymedic/ Malaysian | 16,850,000 | 5.0 | - | - | 14,743,700 | 3.5 | - | - |
| Tang Fook Choy | Financial Controller/ Malaysian | - | - | - | - | ⁽³⁾ 200,000 | ~ | - | - |

Notes:-

~ Less than 0.01%

(1) Based on the issued and paid-up share capital of 337,000,200 Shares after the Acquisitions and Vendors' Shareholdings Reorganisation.

(2) Based on the enlarged issued and paid up share capital of 421,250,200 Shares, after the Public Issue and Offer for Sale.

(3) Assuming the full subscription for his entitlement under the Pink Form Allocations.

8.3.2 Profiles of key management personnel

Save for the profiles of our Directors, which are disclosed in Section 8.2.2 of this Prospectus, the profiles of the other key management of our Group are as follows:-

(a) **Chong Wai Mun**, a Malaysian aged 45, is the General Manager of Best Contact. He is primarily responsible for assisting 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 GDPMD. As the

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

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 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 Bachelors of Engineering in Communication Systems Engineering from Coventry University, UK 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 ("Dalian Ericsson"), Nanjing Branch as its Engineer on a one (1) year contract basis. He was mainly involved in the testing and commissioning of telephony switching system used for connecting local landlines, mobile networks, international telephony traffic and signalling ("Telephony System").

Upon expiry of his contract with Dalian Ericsson, in 2002, he returned to Malaysia and joined Ericsson (M) Sdn Bhd as an Engineer on a contract basis, where he was involved in providing training on the Telephony System to the operation and maintenance staff of the company's customers. Upon his resignation from Ericsson (M) Sdn Bhd in 2004, Chong Wai Mun joined Best Contact as its Project and Service Manager and was subsequently promoted to General Manager in 2015, a position he has held since then.

Note:-

Ericsson France, Dalian Ericsson and Ericsson (M) Sdn Bhd are part of the group of companies under the parent company globally known as Ericsson, a multinational company based in Sweden.

- (b) Lim Tow Keng**, a Malaysian aged 43, is the Sales Manager of Maymedic. He is primarily responsible for the sales and marketing function of Maymedic. In 2011, Lim Tow Keng 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 draughtsperson. 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 Draughtsperson 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

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

company in November 2007 and joined Maymedic in 2007 as its Sales Manager, and has held the position since then.

- (c) **Kew Kin Chee**, a Malaysian aged 44, 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 STSB, where he was mainly involved in the maintenance and repair of sterilisation equipment. In 2006, he left STSB in May 2006 and joined Maymedic as a Technical Manager, where he was in-charge of the maintenance and repair of medical devices and has held the position since then.

- (d) **Tang Fook Choy**, a Malaysian aged 40, 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 (formerly known as Systematic Business Training Centre) 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 including the preparation of the company's annual report and annual audited financial statements. He left O&C Resources Berhad in February 2016 and joined our Group as a Financial Controller in April 2016.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**8.4 INVOLVEMENT IN OTHER CORPORATIONS OUTSIDE OUR GROUP FOR THE PAST FIVE (5) YEARS****8.4.1 Substantial shareholders, Promoters and Directors**

Save as disclosed below, none of our substantial shareholders, Promoters and Directors has any other principal directorship and/or principal business activities performed outside our Group in the past five (5) years up to the LPD:-

(a) Koh Lap Hing

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|----------------------------|--|------------------------|----------------------------|----------------------------|--------------------------------|--|
| Present involvement | | | | | | |
| CMSB | Provision of distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | - | - | - | 15.3% | - |
| STSB | Designing, fabricating and supplying mortuary and stainless steel products under the brand name "HICO" | Non-Executive Director | 25 August 1997 | - | 38.0% | - |
| Sunto Holdings Sdn Bhd | Dormant ⁽¹⁾ | Non-Executive Director | 1 April 1998 | - | 40.0% | - |
| Goodwood | Property investment holding | - | - | - | 7.7% | - |

Note:-

(1) Sunto Holdings Sdn Bhd has ceased business operations since 2009. The company will be wound-up in due course.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**(b) Liaw Chong Lin**

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|-----------------------------------|--|------------------------|----------------------------|----------------------------|--------------------------------|--|
| <u>Present involvement</u> | | | | | | |
| Natural Insight Sdn Bhd | Export and import of a variety of goods without any particular specialisation as well as property investment holding | Non-Executive Director | 2 October 2014 | - | 20.0% | - |
| CMSB | Provision of distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | Non-Executive Director | 20 February 2013 | - | 26.4% | - |
| Goodwood | Property investment holding | Non-Executive Director | 25 June 2013 | - | 9.3% | - |
| <u>Past involvement</u> | | | | | | |
| HPCX Sdn Bhd | Trading of souvenirs, handicrafts and gift and others | Non-Executive Director | 4 October 2010 | 18 October 2011 | 30.0% | 18 October 2011 |
| Chief Frontier | Provision of food and beverages services | Non-Executive Director | 31 December 2010 | 30 May 2014 | 7.0% | 30 May 2014 |
| Pristine Niche | Provision of food and beverages services | Non-Executive Director | 20 April 2011 | 15 October 2012 | 0.1% | 23 October 2012 |
| TLMSB | Sale of light-emitting diode products | Non-Executive Director | 18 October 2010 | 22 September 2015 | - | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**(c) Chung Eng Lam**

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|-----------------------------------|--|------------------------|----------------------------|----------------------------|--------------------------------|--|
| <u>Present involvement</u> | | | | | | |
| STSB | Designing, fabricating and supplying mortuary and stainless steel products under the brand name "HICO" | Non-Executive Director | 7 December 2001 | - | 19.0% | - |
| Sunto Holdings Sdn Bhd | Dormant ⁽¹⁾ | Non-Executive Director | 1 April 1998 | - | 20.0% | - |
| CMSB | Provision of distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | Non-Executive Director | 25 April 2013 | - | 15.1% | - |
| Natural Insight Sdn Bhd | Export and import of a variety of goods without any particular specialisation as well as property investment holding | - | - | - | 20.0% | - |
| Goodwood | Property investment holding | Non-Executive Director | 25 June 2013 | - | 20.8% | - |
| <u>Past involvement</u> | | | | | | |
| Chief Frontier | Provision of food and beverages services | - | - | - | 5.0% | 30 May 2014 |
| MSB | Design, supply, installation, testing and commissioning of pneumatic tube transport system and central vacuum cleaning | Non-Executive Director | 16 March 1999 | 30 September 2014 | 41.0% | 26 September 2014 |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**Note:-**

(1) Sunto Holdings Sdn Bhd has ceased business operations since 2009. The company will be wound-up in due course.

(d) Hew Chun Shun

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|-----------------------------------|--|---------------------------------------|----------------------------|----------------------------|--------------------------------|--|
| <u>Present involvement</u> | | | | | | |
| Amirdic | Provision of medical equipment (mortuary equipment and accessories) | Non-Executive Director ⁽²⁾ | 22 September 1999 | - | 22.0% | - |
| CMSB | Provision of distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | Non-Executive Director | 20 February 2013 | - | 25.2% | - |
| STSB | Designing, fabricating and supplying mortuary and stainless steel products under the brand name "HICO" | Non-Executive Director | 16 March 2010 | - | 38.0% | - |
| Sunto Holdings Sdn Bhd | Dormant ⁽¹⁾ | Non-Executive Director | 16 March 2010 | - | 40.0% | - |
| Natural Insight Sdn Bhd | Export and import of a variety of goods without any particular specialisation as well as property investment holding | Non-Executive Director | 2 October 2014 | - | 20.0% | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|--------------------------------|--|------------------------|---------------------|---------------------|-------------------------|---|
| Goodwood | Property investment holding | Non-Executive Director | 25 June 2013 | - | 24.7% | - |
| <u>Past involvement</u> | | | | | | |
| TLMSB | Sale of light-emitting diode products | Non-Executive Director | 18 September 2008 | 22 September 2015 | - | - |
| Chief Frontier | Provision of food and beverages services | Non-Executive Director | 17 January 2011 | 30 May 2014 | 5.0% | 30 May 2014 |
| MSB | Design, supply, installation, testing and commissioning of pneumatic tube transport system and central vacuum cleaning | Non-Executive Director | 22 November 1996 | 30 September 2014 | 34.0% | 26 September 2014 |
| Pristine Niche | Provision of food and beverages services | Non-Executive Director | 20 April 2011 | 15 October 2012 | - | - |

Notes:-

- (1) Sunto Holdings Sdn Bhd has ceased business operations since 2009. The company will be wound-up in due course.
(2) Hew Chun Shun was appointed as its Director (with executive function) and Project Manager in Amirdic in September 1999. He subsequently relinquished his position as its Project Manager in 2008 and has since been re-designated as a Non-Executive Director in Amirdic.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)**(e) Datin Latiffah Binti Endot**

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|-----------------------------------|---|------------------------------------|----------------------------|----------------------------|--------------------------------|--|
| <u>Past involvement</u> | | | | | | |
| Disability Solutions (M) Sdn Bhd | Trading of medical rehabilitation products and provision of related consultancy services | Non-Executive Director | 2 November 2006 | 1 September 2015 | 30.0% | 13 January 2010 |
| (f) Ng Kok Wah | | | | | | |
| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
| <u>Present involvement</u> | | | | | | |
| ADG Wealth Management Sdn Bhd | Investment holding | Executive Director | 5 September 2015 | - | 50.0% | - |
| Legacy Trend Sdn Bhd | Managing and conducting trade shows, exposition and fairs | Executive Director | 13 July 2009 | - | 33.3% | - |
| APPASIA Bhd | Carry out R&D and sale of information communication technology security systems and provision of related professional services and investment holding | Independent Non-Executive Director | 24 July 2014 | - | - | - |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

| Company | Principal activities | Position held | Date of appointment | Date of resignation | % of shareholdings held | Date of disposal of entire shareholdings held |
|-------------------------------------|--|------------------------------------|---------------------|---------------------|-------------------------|---|
| Aturmaju Resources Berhad | Management services and investment holding, manufacturing wood products, hire of scows and tugboats and timber contracting | Independent Non-Executive Director | 15 March 2013 | - | - | - |
| Gladbliss Sdn Bhd | Export and import of a variety of goods as well as buying, selling, renting and operating self-owned or leased real estate, particularly residential buildings | Independent Non-Executive Director | 20 September 2015 | - | - | - |
| <u>Past involvement</u> | | | | | | |
| ADN Management Services (M) Sdn Bhd | Provision of secretarial, consultancy and management services | Executive Director | 22 September 2004 | Note (1) | 50.0% | - |
| Malaysia Pacific Corporation Bhd | Property development and investment | Independent Non-Executive Director | 26 February 2015 | 9 November 2015 | - | - |

Note:-

- (1) ADN Management Services Sdn Bhd was struck off the register and dissolved by the Registrar of Companies on 6 December 2013 pursuant to Section 308(4) of the Act. As such, Ng Kok Wah is no longer involved in ADN Management Services Sdn Bhd, either as a Director or a shareholder.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Save for our Non-Independent Executive Deputy Chairman, Managing Director and Executive Directors' shareholdings and directorships in STSB, CMSB and Amirdic as disclosed under Section 10.2 of this Prospectus, the involvement of our Directors in these business activities outside our Group does not give rise to any conflict of interest situation with our business.

The involvement of our Non-Independent Executive Deputy Chairman, Managing Director and Executive Directors in these business activities does not require significant amount of their time, as they are not involved in the day-to-day aspects of these business activities and hence does not affect their ability to perform their executive roles and responsibilities for our Group. Additional information on our Directors' involvement in other businesses or corporations carrying on a similar or related trade as our Group is set out in Section 10.2 of this Prospectus.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Audit Committee and our Board their interests in other companies on the onset and as and when there are changes in their respective interests in companies outside our Group. Our Audit Committee will then evaluate if such Director's involvement will give rise to a potential conflict of interest with our Group's business. It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidance to them on their fiduciary duties.

In relation to matters or transactions requiring the approval of our Board, the relevant Directors who are deemed interested or conflicted in such matters or transactions shall be required to declare their interests and abstain from deliberations and voting on the resolutions relating to these matters or transactions.

8.4.2 Key management personnel

Save as disclosed below, none of our other key management personnel are involved in any other principal business activities outside our Group in the last five (5) years up to the LPD:-

(a) Chong Wai Mun

| <u>Company</u> | <u>Principal activities</u> | <u>Involvement</u> | <u>Date resigned/ entire shareholdings disposed</u> |
|-----------------------------------|--|--|---|
| <u>Present involvement</u> | | | |
| CMSB | Provision of distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | Shareholder (7.2% - Direct interest held) | - |
| EXT Engineering Services | Trading in engineering and electrical earthing equipment | Sole proprietorship ⁽¹⁾ | - |
| Goodwood | Property investment holding | Shareholder (2.2% - Direct interest held) | - |

Note:-

(1) Presently inactive

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)
(b) Lim Tow Keng

| Company | Principal activities | Involvement | Date resigned/ entire shareholdings disposed |
|--------------------------------|--|---|---|
| <u>Past involvement</u> | | | |
| Chief Frontier | Provision of food and beverages services | Shareholder (5.0% - Direct interest held) | Disposed shareholdings on 30 May 2014 |

(c) Kew Kin Chee

| Company | Principal activities | Involvement | Date resigned/ entire shareholdings disposed |
|-----------------------------------|--|---|---|
| <u>Present involvement</u> | | | |
| STSB | Designing, fabricating and supplying mortuary and stainless steel products under the brand name "HICO" | Shareholder (5.0% - Direct interest held) | - |
| CMSB | Provision of distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | Shareholder (4.0% - Direct interest held) | - |
| Goodwood | Property investment holding | Shareholder (1.3% - Direct interest held) | - |

Our key management personnel are of the view that their involvements in the principal activities and corporations above do not have any material effect on their capacity within our Group and would not be expected to affect the operations of our Group.

Their involvements in the above principal businesses do not require a significant amount of their time as they are only shareholders of these companies and hence they do not contribute to the day-to-day management of its operations. Our key management personnel's involvement in these companies neither materially nor adversely affect their contribution to our Group.

As such, our key management devote most of their working time and effort to their executive functions in our Group. Their ability to act as our key management of our Group is not expected to change going forward.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.5 BOARD PRACTICE

8.5.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:-

- (a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (b) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (c) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (d) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance, 2012;
- (e) To review and approve our annual business plans, financial statements and annual reports;
- (f) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group;
- (g) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon;
- (h) To review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (i) To approve the appointment of external auditors and their related audit fees;
- (j) To initiate a Board self-evaluation program and follow up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate; and
- (k) To approve the nomination, selection, succession policies, and remuneration packages for the Board members, Board Committee members and Chairman, and the annual manpower budget for the Group, including managing succession planning, appointing, training, fixing the compensation of, and where appropriate replacing senior management or key management personnel.

In accordance with our Memorandum and Articles of Association, at our first annual general meeting, all our Directors shall retire from office. Thereafter, at the annual general meeting in every subsequent year, one-third of our Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office provided always that all our Directors including the Managing Director and the Executive

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

Directors shall retire from office at least once in each three years period but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he retires. An election of directors shall take place each year.

The members of our Board are set out in Section 8.2 of this Prospectus.

All our Directors were only appointed to our Board in 2015 and have served for less than one (1) year as at the LPD.

8.5.2 Audit committee

The main function of our Audit Committee is to assist our Board in fulfilling its responsibility to oversee our Group's accounting and financial reporting matters. The terms of reference of our Audit Committee include the following:-

- (a) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (b) To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (d) To perform such other functions as may be requested by our Board;
- (e) To review with the external and internal auditors their evaluations of the system of internal accounting controls, in particular with regard to the adequacy of the Group's internal control system;
- (f) To review the findings of internal investigations into matters within its terms of reference; and
- (g) To review on the policies implemented by the Company to ensure that the Company's risk are identified and evaluated and that controls in place are adequate and functioning properly to address the risks.

The recommendations of our Audit Committee are subject to the approval of our Board.

The members of our Audit Committee as at the LPD are as follows:-

| Name | Designation | Directorship |
|----------------------------|--------------------|------------------------------------|
| Ng Kok Wah | Chairman | Independent Non-Executive Director |
| Datuk Chin Goo Chai | Member | Independent Non-Executive Chairman |
| Datin Latiffah binti Endot | Member | Independent Non-Executive Director |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.5.3 Remuneration committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The terms of reference of our Remuneration Committee include the following:-

- (a) To provide assistance to our Board in establishing the policy and framework for our Directors' remuneration and the remuneration of certain senior management personnel, including the setting of their key performance indicators;
- (b) To ensure that our Group's remuneration and incentive policies, practices and key performance indicators are appropriately established and are aligned with our Group's vision, values and business objectives and market trends;
- (c) To provide assistance to our Board on matters relating to, amongst others, management grievances, compensation strategy, management development and other compensation arrangements;
- (d) To ensure corporate accountability and governance in respect of our Board remuneration and compensation; and
- (e) To perform such other functions as may be requested by our Board.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at the LPD are as follows:-

| Name | Designation | Directorship |
|----------------------------|--------------------|---|
| Datin Latiffah binti Endot | Chairman | Independent Non-Executive Director |
| Koh Lap Hing | Member | Non-Independent Executive Deputy Chairman |
| Datuk Chin Goo Chai | Member | Independent Non-Executive Chairman |

In order to mitigate any potential conflict of interest situation, the respective Directors shall abstain in all deliberations and decisions involving matters relating to their own remuneration.

8.5.4 Nomination committee

The terms of reference of our Nomination Committee include the following:-

- (a) To assist our Board in the effective discharge of its responsibility to ensure that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- (b) To ensure appropriate selection criteria and processes and to identify and recommend to our Board, candidates for directorships of our Company and members of the relevant Board committees;
- (c) To evaluate the effectiveness of our Board and the relevant Board committees; and
- (d) To ensure an appropriate framework and succession planning for our Board, including our Chief Executive Officer.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

The recommendations of our Nomination Committee are subject to the approval of our Board.

The members of our Nomination Committee as at the LPD are as follows:-

| Name | Designation | Directorship |
|----------------------------|--------------------|------------------------------------|
| Datuk Chin Goo Chai | Chairman | Independent Non-Executive Chairman |
| Datin Lattifah binti Endot | Member | Independent Non-Executive Director |
| Ng Kok Wah | Member | Independent Non-Executive Director |

8.6 RELATIONSHIPS AND/OR ASSOCIATIONS

There are no family relationships (as defined under Section 122A of the Act) or association between or amongst our Promoters, substantial shareholders, Directors and key management as the LPD.

8.7 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered into between the companies within our Group, with our Directors or key management personnel.

8.8 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at the LPD, none of our Promoters, Directors or key management is or has been involved in any of the following events (whether within or outside Malaysia):-

- (a) A petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key management personnel;
- (b) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) Any judgment that was entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.9 BENEFITS PAID OR INTENDED TO BE PAID

Save for the our Directors' remuneration and benefits as disclosed in Section 8.2.3, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the two (2) years preceding the date of this Prospectus.

8.10 EMPLOYEES

As at the LPD, we have seventy three (73) employees, all of which are employed as full-time employees. The following depicts the breakdown of our employees in our Group:-

| Category of employees | Number of employees | | | | |
|-----------------------------|---------------------|------------------|------------------|------------------|-----------|
| | 31 December 2012 | 31 December 2013 | 31 December 2014 | 31 December 2015 | LPD |
| Board and senior management | 7 | 7 | 7 | 10 | 10 |
| Sales and marketing | 7 | 9 | 8 | 11 | 10 |
| Technical | 20 | 25 | 30 | 28 | 32 |
| Support staff | 9 | 14 | 14 | 19 | 21 |
| TOTAL | 43 | 55 | 59 | 68 | 73 |

Further details of our employee structure as at the LPD are as follows:-

| Category of employees | Length of service (years) | | | Number of employees | | | |
|-----------------------------|---------------------------|---|--------------------------|---------------------------|----------------------|---------------------------|-----------------------------|
| | Less than one (1) year | More than one (1) year but less than five (5) years | More than five (5) years | Total number of employees | % of total employees | Number of local employees | Number of foreign employees |
| Board and senior management | 4 | - | 6 | 10 | 13.7 | 10 | - |
| Sales and marketing | 2 | 4 | 4 | 10 | 13.7 | 10 | - |
| Technical | 6 | 14 | 12 | 32 | 43.8 | 32 | - |
| Support staff | 1 | 12 | 8 | 21 | 28.8 | 21 | - |
| Total | 13 | 30 | 30 | 73 | 100.0 | 73 | - |

As at LPD, all of our employees are Malaysian citizens.

None of our employees belong to any labour union. The relationship and cooperation between our management and our employees have always been good and this is expected to continue in the future. As at the LPD, there is no major industrial dispute pertaining to our employees.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.11 TRAINING AND DEVELOPMENT

We regard our employees as invaluable and consider them as key components for our continued growth. We also view sound human resource management as a critical success factor. We believe a well-trained, well-motivated and well-managed workforce is essential for the efficient operations and the success of our business. As such, we proactively cultivate a positive working culture by having good working relationships with our employees and place a great emphasis on a safe working environment for our employees.

In addition, our human resources department will also evaluate and hold one-to-one talks with the employees where both parties engage freely and discuss about the employee's performance in relation to our Group's objectives. Our Group also holds internal company functions regularly where employees are encouraged to interact with each other to foster close relationships.

We practice fair treatment towards our employees and have put in place a reward programme where employees are rewarded based on merit to promote satisfaction among employees. This serves to motivate and also to retain the workforce. We have also set in place a succession plan to ensure proper transfer of skills is done before any promotions are made.

We believe in developing our human capital. It is our policy to develop and train employees to improve their skill sets and professionalism in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to continually increase their skills and knowledge through external and internal (including on-the-job) training and development programmes. Besides the various product knowledge training organised from time to time and the annual ISO 9001:2008 refresher course on the development, implementation and management of a quality management systems, some of the external training and development programmes undertaken by our employees in the past are as follows:-

| No. | Programme | Organiser | Purpose |
|-----------|--|---|---|
| 1. | <u>FPE 31 March 2016</u> | | |
| (a) | GDPMD Internal Audit Training | Medical Device Advisory and Services (MDAS) | Knowledge and understanding of GDPMD Internal Audit |
| (b) | Ziehm Imaging Vision RFD, RFD3D App Training | Ziehm Imaging GmbH | Enhance technical knowledge and application of product |
| (c) | Hitachi CT Application Basic (Scenaria & Supria) | Hitachi Ltd | Enhance technical knowledge and application of product |
| 2. | <u>FYE 2015</u> | | |
| (a) | Seminar on Medical Device Competency | Universiti Teknologi Malaysia | Enhance knowledge of medical devices |
| (b) | CareStream PACS-Red/Green Belt Class | Carestream Health Malaysia Sdn Bhd | Technical knowledge for CareStream PACS System in term of configuration |
| (c) | SQL Software Training Workshop | eStream MSC Sdn Bhd | Software knowledge for implementation of GST |
| (d) | Hitachi Supria Grande Long | Hitachi Ltd | Enhance technical knowledge and application of product |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

| No. | Programme | Organiser | Purpose |
|-----------|---|--|--|
| (e) | CareStream CR Max/Diamond CR Service | Carestream Health Malaysia Sdn Bhd | Enhance technical knowledge and application of product |
| (f) | MinXray HF120/60HPPWV Power Plus | MinXray Inc. | Enhance technical knowledge and application of product |
| 3. | <u>FYE 2014</u> | | |
| (a) | Radiation Safety Awareness | Agensi Nuklear Malaysia | X-Ray license purpose for meet new regulation |
| (b) | Internal Quality Audit Training | Best Contact | Understand the purpose of GDPMD and procedure |
| (c) | Application Training- Intermediate | Hitachi Ltd | Higher level of MRI Application training |
| (d) | ISO 13485 Medical Device Auditor Training | British Standards Institution (BSI) | To enhance relevant skills and knowledge to carry out audits of Quality Management Systems for Medical Devices requirement under ISO 13485 |
| (e) | Penyelenggaraan Bangunan Mekanikal & Elektrikal (Mechanical and Electrical Servicing for Buildings) | CIDB | Enhance knowledge of mechanical and electrical servicing for buildings. |
| (f) | Kaedah Efektif Perundingan Pembidaan Projek (Effective Method for Project Bidding Negotiation) | CIDB | Improve project bidding & negotiation methods |
| (g) | SQL Software Training | eStream MSC Sdn Bhd | Software knowledge for implementation of GST |
| (h) | GST Training | Asiaeuniversity | Implementation of GST |
| 4. | <u>FYE 2013</u> | | |
| (a) | Ziehm System Technical Training | Ziehm Imaging Singapore Pte Ltd | Enhance knowledge for Ziehm installation |
| (b) | NIOSH Oil & Gas Safety Passport Training (Level 1) | National Institute for Occupational Safety | Installation work of glassware washer |
| 5. | <u>FYE 2012</u> | | |
| (a) | Computed Tomography: Imaging Protocol Selection and Pose Optimisation | University of Malaya | Enhance knowledge of Computed Tomography: Imaging Protocols Selection and Dose Optimization |
| (b) | Picture Archiving Communication System (PACS) Training | Carestream Health Malaysia Sdn Bhd | Upgrade skill for supporting the CareStream PACS system |
| (c) | 2012 International STERIS Products Service Training | STERIS Corporation | Enhance knowledge of products, operations, preventive maintenance and troubleshooting. |
| (d) | 2012 International STERIS Surgical Products Service Training | STERIS Corporation | Enhance knowledge of products, operations, preventive maintenance and troubleshooting. |
| (e) | Implementation of MDA | Mr Gnana Sakaran & Mr Wang Hwee Beng | Knowledge of MDA Act & GDPMD |

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.12 MANAGEMENT SUCCESSION PLAN

Our Group recognises the importance of succession planning to ensure business continuity, and to maintain our competencies and competitiveness in the industry. In view thereof, our Group has taken appropriate steps such as professional mentoring, on-the-job training and professional learning and development to ensure the implementation of succession planning in every department. We encourage our senior management to identify employees who have the potential to move into leadership positions and to expose such potential leadership talent to various developmental opportunities to groom and to provide them with the skill sets and experiences required to take on higher level leadership positions and greater responsibilities.

In addition, we also encourage our senior management to groom the lower and middle management staff to gradually assume higher responsibilities and encourage our middle management to participate in discussion for decision-making to ensure better understanding of our operations, responsibilities and the decision-making processes and that they are equipped with the necessary knowledge and skills to succeed to senior management roles.

Our Board is involved in the process of reviewing the potential successor's readiness, and in identifying key competencies and requirements for managerial and key senior positions for succession planning. Appropriate job functions and candidate profiles are reviewed and matched for management positions, in line with our business goals, strategies and culture. As part of our Group's management succession plan, we have identified middle management personnel across our Group to facilitate knowledge transfer and to build upon their capabilities to fill senior management positions so as to ensure smooth running and continuity of our operations.

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9. APPROVALS AND CONDITIONS**9.1 APPROVALS AND CONDITIONS****9.1.1 Bursa Securities' approval**

Bursa Securities had, vide its letter dated 15 June 2016, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities. The approval from Bursa Securities is subject to the following conditions:-

| No. | Details of conditions imposed | Status of compliance |
|------------|--|-----------------------------|
| (a) | Disclosure in quarterly reports, the status of the application to register medical devices distributed by the Company to comply with the requirement of Section 5(1) of the MDA Act. | To be complied |
| (b) | Any director of the Company that has not attended the Mandatory Accreditation Programme, must do so prior to listing of the Company. | Complied |
| (c) | Submission of the following information in respect of the moratorium on the shareholdings of Promoters to the Bursa Depository (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares | To be complied |
| (d) | Approvals from other relevant authorities have been obtained for implementation of the listing proposals. | Complied |
| (e) | Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements. | To be complied |
| (f) | Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued and paid up share capital of BCM on the first day of listing. | To be complied |
| (g) | BCM/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed. | To be complied |
| (h) | In relation to the public offering to be undertaken by BCM, please announce at least two (2) market days prior to the listing date, the result of the offering including the following:- (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholder of BCM arising from the public offering, if any. | To be complied |

9. APPROVALS AND CONDITIONS *(Cont'd)*

9.1.2 SC's approval

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SAC has, vide its letter dated 9 September 2016, classified our Shares as Shariah-compliant.

The SC, vide its letter dated 17 June 2016, approved our resultant equity structure pursuant to our Listing under the equity requirements for public companies. The approval from the SC is subject to the following conditions:-

| No. | Details of conditions imposed | Status of compliance |
|------------|--|-----------------------------|
| (a) | BCM to allocate the difference between the prescribed equity requirement of 12.5% of its issued and paid-up share capital and the actual equity interests of Bumiputera investors (pursuant to the public issue shares via balloting) upon listing, to Bumiputera investors to be approved by the Ministry of International Trade and Industry within one (1) year after achieving profit track record requirement for companies seeking for listing on the Main Market of Bursa Securities, or five (5) years after being listed on the ACE Market of Bursa Securities, whichever is the earlier ("Triggering Date"). | To be complied |
| (b) | BCM to submit to the SC a proposal to comply with the Bumiputera equity condition at least six (6) months prior to the Triggering Date. | To be complied |
| (c) | M&A Securities/BCM to submit to the SC its equity structure upon completion of the Listing. | To be complied |

9.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those BCM Shares held by our Promoters as follows:-

- (a) The moratorium applies to the entire shareholdings of our Promoters after the Offer for Sale for a period of six (6) months from the date of our admission to the ACE Market of Bursa Securities ("First 6-Month Moratorium");
- (b) Upon the expiry of the first 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to 45% of our nominal issued and paid-up ordinary share capital remain under moratorium for another period of six (6) months ("Second 6-Month Moratorium"); and
- (c) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight line basis) of those BCM Shares held under moratorium.

9. APPROVALS AND CONDITIONS (Cont'd)

Details of our Promoters and their BCM Shares which will be subject to the abovesaid moratorium, are set out below:-

| Promoters | No. of BCM Shares held upon admission | | | |
|----------------|--|--------------------|--|--------------------|
| | Moratorium shares during the first 6-Month Moratorium ⁽¹⁾ | | Moratorium shares during the Second 6-Month Moratorium | |
| | No. of BCM Shares | ⁽²⁾ o/o | No. of BCM Shares | ⁽²⁾ o/o |
| Koh Lap Hing | 53,077,500 | 12.6 | 39,675,900 | 9.4 |
| Liaw Chong Lin | 50,128,700 | 11.9 | 37,471,700 | 8.9 |
| Lim Jit Wei | 47,180,000 | 11.2 | 35,267,500 | 8.4 |
| Chung Eng Lam | 50,128,700 | 11.9 | 37,471,700 | 8.9 |
| Hew Chun Shun | 53,077,500 | 12.6 | 39,675,900 | 9.4 |
| Total | 253,592,400 | 60.2 | 189,562,700 | 45.0 |

Notes:-

- (1) After the Offer for Sale.
(2) Based on the enlarged issued and paid-up share capital of 421,250,200 Shares after our IPO.

The moratorium has been fully accepted by Koh Lap Hing, Hew Chun Shun, Chung Eng Lam, Liaw Chong Lin and Lim Jit Wei, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the BCM Shares under moratorium held by Koh Lap Hing, Hew Chun Shun, Chung Eng Lam, Liaw Chong Lin and Lim Jit Wei, to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

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10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below:-

- (a) there are no transactions, existing or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected with them which are significant in relation to the business of our Company and our subsidiaries for FYE 2012 to FYE 2015 as well as FPE 31 March 2016.
- (b) we have not entered into any recurrent related party transaction of a revenue or trading in nature which are necessary for our day-to-day operations and in our ordinary course of business with certain related parties which involves the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected with them ("Recurrent Transactions") for FYE 2012 to FYE 2015 as well as FPE 31 March 2016. The past Recurrent Transactions were carried out on arm's length basis and on commercial terms not more favourable to the related parties than those generally available to third parties and which were not detrimental to our minority shareholders.
- (c) we have not entered into any non-recurrent related party transactions with our Directors, substantial shareholders, key management personnel and/or persons connected with them for FYE 2012 to FYE 2015 as well as FPE 31 March 2016. The non-recurrent related party transactions set out below were carried out on an arm's length basis and on commercial terms not more favourable to the related parties than those generally available to third parties.

We will make disclosures in our annual report of the aggregate value of transactions conducted based on the nature of the Recurrent Transactions made, the names of the related parties involved and their relationship with our Company during the financial year and in the annual reports for subsequent financial years.

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10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| No. parties | Interested Promoters/ Directors/ Substantial shareholder/ shareholder/ Key management personnel | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | | FPE 31 March 2016 |
|-------------|---|--|--------------------------|---|-------|-----------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|
| | | | | | | FYE 2012 RM'000 | FYE 2013 RM'000 | FYE 2014 RM'000 | FYE 2015 RM'000 | FYE 2016 RM'000 | |
| (1) | Amirdic Hew Chun Shun and Koh Lap Hing | <ul style="list-style-type: none"> Hew Chun Shun is the substantial promoter, shareholder and Director of our Company and is the Director and substantial shareholder of Amirdic. Koh Hoong Ciang (son of Koh Lap Hing) is the substantial shareholder of Amirdic. | CS Laundry | Income | (i) | - | 8 | 30 | 21 | - | |
| | | | | Administration fees received for accounting services provided | | | | | | | |
| | | | | Income | (ii) | 42 | 15 | 50 | 183 | - | |
| | | | | Fees received for preventive maintenance services provided | | | | | | | |
| | | | | Income | (ii) | 191 | 252 | 186 | 253 | 18 | |
| | | | | Sale of commercial laundry equipment | | | | | | | |
| | | | | Income | (i) | 19 | 17 | 25 | - | - | |
| | | | | Administration fees received for human resource services provided | | | | | | | |
| | | | | Income | (i) | - | - | - | 19 | - | |
| | | | | Administration fees received for human resource services provided | | | | | | | |
| | | | | Income | (ii) | 63 | 3 | - | 29 | - | |
| | | | | Sale of sterilisation, disinfection and surgical room equipment | | | | | | | |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| Interested Promoters/ Directors/ Substantial shareholder/ Key management personnel | Transacting parties | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | | FPE 31 March 2016 |
|---|---------------------|---|--------------------------|--|------------|-----------------------|----------|----------|----------|----------|-------------------------|
| | | | | | | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | |
| | | | | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| (2) | STSB | Koh Lap Hing, Chung Eng Lam, Hew Chun Shun and Kew Kin Chee | CS Laundry | Income received for rental of premises | (i) | 30 | - | - | - | - | - |
| | | • Koh Lap Hing, Chung Eng Lam and Hew Chun Shun are the Promoters, substantial shareholders and Directors of our Company. | Best Contact | Administration fees received for human resource service provided | (i) | 4 | - | - | - | - | - |
| | | • Kew Kin Chee is the Technical Manager of Maymedic. | Maymedic | Advances received for settlement of bank credit facility | (vi) | - | - | - | 650 | - | - |
| | | • Koh Lap Hing, Chung Eng Lam and Hew Chun Shun are the Directors of STSB. | | Administration fees received for accounting services provided | (i) (v) | - | 29 | - | - | - | - |
| | | • Koh Lap Hing, Chung Eng Lam, Hew Chun Shun and Kew Kin Chee are the substantial shareholders of STSB. | CS Laundry | Rental paid for motor vehicle | (vi) | - | 6 | - | - | - | - |
| | | | | Expenses for accounting services received | (v) | 26 | 23 | - | - | - | - |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| No. parties | Interested Promoters/ Directors/ Substantial shareholder/ Key management personnel | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | | FPE 31 March 2016 |
|-------------|---|---|--------------------------|------------------------|-------|-----------------------|----------|----------|----------|----------|-------------------------|
| | | | | | | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | |
| | | | | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| | | | Best Contact | Expenses | (ii) | - | 12 | - | - | - | - |
| | | | | Expenses | (v) | 26 | 19 | - | - | - | - |
| | | | Maymedic | Expenses | (v) | 26 | 23 | - | - | - | - |
| (3) | TLMSB | Koh Lap Hing and Liaw Chong Lin | Best Contact | Expenses | (ii) | 4 | 16 | 94 | 3 | # | |
| | | <ul style="list-style-type: none"> Koh Lap Hing and Liaw Chong Lin are the Promoters, substantial shareholders and Directors of our Company Tan Sea Hong (spouse of Liaw Chong Lin) is the Director and substantial shareholder of TLMSB. | Maymedic | Expenses | (ii) | - | - | 1 | - | - | |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| No. parties | Transacting party | Key management personnel | Interested Promoters/Directors/Substantial shareholder/shareholder/ | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | |
|-------------|-------------------|--------------------------|---|------------------------|--------------------------|------------------------|-------|-----------------------|-----------------|-----------------|-----------------|--------------------------|
| | | | | | | | | FYE 2012 RM'000 | FYE 2013 RM'000 | FYE 2014 RM'000 | FYE 2015 RM'000 | FPE 31 March 2016 RM'000 |

| | | | | | | | | | | | | | |
|-----|-----|--------------------------------|--|--|--------------|--------|---|------------------------------|---|----|----|---|---|
| (4) | MSB | Chung Eng Lam and Koh Lap Hing | | <ul style="list-style-type: none"> Koh Hoong Giang (son of Koh Lap Hing) is the shareholder of TLMSB. Chung Eng Lam and Koh Lap Hing are the Promoters, substantial shareholders and Directors of our Company. Chung Jia En, daughter of Chung Eng Lam, was the substantial shareholder of MSB. Wong Kim Yeng, spouse of Koh Lap Hing, was the substantial shareholder of MSB. | Best Contact | Income | Administration received for resource provided | fees (i) human (iv) services | - | 47 | 18 | 9 | - |
|-----|-----|--------------------------------|--|--|--------------|--------|---|------------------------------|---|----|----|---|---|

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| No. parties | Interested Promoters/ Directors/ Substantial shareholder/ Key management personnel | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | | FPE 31 March 2016 |
|-------------|---|---|--------------------------|------------------------|---|-----------------------|----------|----------|----------|----------|-------------------------|
| | | | | | | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | |
| | | | | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| (5) | FASB Chung Eng Lam, Liaw Chong Lin, Koh Lap Hing, Hew Chun Shun, Chong Wai Mun and Kew Kin Chee | <ul style="list-style-type: none"> Chung Eng Lam, Liaw Chong Lin, Koh Lap Hing and Hew Chun Shun are the Promoters, substantial shareholders, and Directors of our Company. Kew Kin Chee is the Technical Manager of Maymedic. The spouses of Liaw Chong Lin, Koh Lap Hing, Hew Chun Shun, Kew Kin Chee and Chong Wai Mun as well as the daughter of Chung Eng Lam were Directors and/or substantial shareholders of FASB. | CS Laundry | Income | Administration fees received for accounting services provided | (i) (iii) | - | 9 | 12 | 9 | - |
| | | | | Income | Income received for rental of premises | (iii) (vi) | - | 7 | - | - | - |
| | | | Best Contact | Income | Sale of medical imaging equipment | (iii) | 17 | 42 | - | 162 | 3 |
| | | | | Income | Administration fees received for human resource services provided | (i) (iii) | 5 | 19 | - | - | - |
| | | | Best Contact | Expenses | Purchase of medical imaging equipment | (iii) | 94 | 20 | - | 47 | - |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| Interested Promoters/ Directors/ Substantial shareholder/ Transacting Key management No. parties | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | | FPE 31 March 2016 | | | | | | | | | |
|--|--|--------------------------|---|-------|-----------------------|----------|----------|----------|----------|-------------------------|----|----|---|---|---|---|---|---|---|
| | | | | | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FYE 2016 | | | | | | | | | | |
| | | | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | | | | | | | | |
| (6) CMSB | <p>Koh Lap Hing, Chung Eng Lam, Liaw Chong Lin, Hew Chun Shun, Kew Kin Chee and Chong Wai Mun</p> <ul style="list-style-type: none"> Koh Lap Hing, Chung Eng Lam, Liaw Chong Lin and Hew Chun Shun are the Promoters, substantial shareholders and Directors of our Company. Kew Kin Chee is the Technical Manager of Maymedic Chong Wai Mun is the General Manager of Best Contact Hew Chun Shun, Chung Eng Lam and Liaw Chong Lin are the Directors of CMSB. Koh Lap Hing, Hew Chun Shun, Chung Eng Lam, Liaw Chong Lin and Chong Wai Mun are | Best Contact | <p>Income</p> <p>Administration fees received for human resource services and related ancillary services provided</p> <p>Income received for rental and maintenance of premises</p> <p>Income</p> <p>Sale of healthcare products</p> <p>Income</p> <p>Administrative fees received for accounting services provided</p> <p>Expenses</p> <p>Expenses</p> | (i) | (vi) | (vii) | (i) | (ii) | (ii) | - | 19 | 20 | 9 | - | - | - | - | - | - |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

| Interested Promoters/ Directors/ Substantial shareholder/ Transacting Key management personnel | Nature of relationship | Company within our Group | Nature of transactions | Notes | Value of transactions | | | | | FPE 31 March 2016 |
|---|------------------------|--------------------------|------------------------|-------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | | | | | FYE 2012 RM'000 | FYE 2013 RM'000 | FYE 2014 RM'000 | FYE 2015 RM'000 | FYE 2016 RM'000 | |

the substantial shareholders of CMSB

- Kew Kin Chee is a shareholder of CMSB.

Notes:-

Transactions amount below RM1,000.

(i) These recurrent related party transactions relates to the following:-

- (aa) Income received for rental of premises to our related party companies;
- (ba) Income received by our related party companies for rental and maintenance of premises; and
- (ca) Administration fees received for accounting services, human resources and office operation charges received by our subsidiaries for services rendered to our related party companies, whereby we have shared/provided our resources, services and staff for the management of certain administrative aspects of our related party companies.

These recurrent related party transactions are not expected to reoccur after Listing.

(ii) These recurrent related party transactions are expected to reoccur after Listing and it will be transacted at the same basis. A shareholders' mandate will be sought for these recurrent related party transactions after Listing. Our Group is not dependent on these recurrent related party transactions.

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

- (iii) No longer deemed interested via Section 6A of the Act as their spouses and children have disposed-off their entire shareholdings in FASB to Chua Poh Choo and Tan Wei Shen, for an aggregate disposal consideration of RM150,000.00 on 31 August 2015. Both Chua Poh Choo and Tan Wei Shen are not persons related to the Directors, Promoters, substantial shareholders and key management personnel of our Group, pursuant to Section 6A of the Act. The shareholdings details of FASB prior to its disposals are as follows:-

| Names | Related party involved/relationship | Number of ordinary shares of RM1.00 held in FASB | % of shareholdings held |
|----------------|--|---|--------------------------------|
| Han Sih Hui | Spouse of Kew Kin Chee | 6,000 | 3.0% |
| Shet Lai Choo | Spouse of Hew Chun Shun | 36,000 | 18.0% |
| Wong Kim Yeng | Spouse of Koh Lap Hing | 36,000 | 18.0% |
| Chung Jia Heng | Daughter of Chung Eng Lam | 18,000 | 9.0% |
| Tan Sea Hong | Spouse of Liaw Chong Lin | 44,000 | 22.0% |
| Quah Wen Xi | Spouse of Chong Wai Mun | 10,000 | 5.0% |
| Chua Poh Choo | - | 40,000 | 20.0% |
| Tan Wei Shen | - | 10,000 | 5.0% |
| | Total | 200,000 | 100.0% |

FASB was principally involved in the supply, installation, testing and commissioning of medical products and more particularly, in the distribution of imaging films mainly to general practitioners' and clinics. FASB had begun to gradually scale down its activities in 2014 by only meeting orders from existing customers, before completely ceasing its operations in January 2016. The operations of FASB were mainly handled by Chua Poh Choo and Tai Wei Shen whilst the other Directors and shareholders of FASB were not involved in the day-to-day operations of FASB.

- (iv) No longer deemed interested via Section 6A of the Act as Koh Lap Hing's spouse and Chung Eng Lam's daughter have disposed off their entire shareholdings in MSB to Chai Kaw Wee and Chin Kah Ken, for an aggregate disposal consideration of RM36,036 on 2 December 2015. Subsequently, on 15 July 2016, Chin Kah Ken transferred his entire shareholdings held in MSB of 10,010 ordinary shares of RM1.00 each in MSB to Yap Soon Guan for an aggregate disposal consideration of RM10,010. Both Chai Kaw Wee and Yap Soon Guan are not persons related to any of our Directors, Promoters, substantial shareholders and key management personnel of our Group, pursuant to Section 6A of the Act. The shareholdings details of MSB prior to its disposals were as follows:-

| Names | Related party involved/relationship | Number of ordinary shares of RM1.00 held in MSB | % of shareholdings held |
|---------------|--|--|--------------------------------|
| Wong Kim Yeng | Spouse of Koh Lap Hing | 18,018 | 18.0% |
| Chung Jia En | Daughter of Chung Eng Lam | 18,018 | 18.0% |
| Yap Soon Guan | - | 54,054 | 54.0% |
| Chai Kaw Wee | - | 10,010 | 10.0% |
| | Total | 100,100 | 100.0% |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

MSB is principally involved in the design, supply, installation, testing and commissioning of pneumatic tube transport system and central vacuum cleaning. The Directors of MSB are Yap Soon Guan and Chai Kaw Wee who also run its day-to-day operations. Its operations are mainly handled by Chai Kaw Wee and Yap Soon Guan.

- (v) During FYE 2012 and FYE 2013, STSB had provided accounting services to CS Laundry, Best Contact and Maymedic. However, the accounting staffs of STSB has been transferred to our Group in the second half of FYE 2013 and since then onwards our Group has provided accounting services to STSB.

These recurrent related party transactions are not expected to reoccur after Listing.

- (vi) As disclosed above and in Section 5.5.2(d)(iii) of this Prospectus, these non-recurrent related party transactions relates to the following:-
 - (aa) Best Contact had entered into a letter of agreement dated 24 June 2015 with Tan Sea Hong, the spouse of Liaw Chong Lin for the disposal of its entire 51% equity interest held in TLMSB since 18 November 2010, representing 255,000 ordinary shares of RM1.00 each in TLMSB for a consideration of RM255,000. The Disposal of TLMSB was completed on 24 June 2015;
 - (ba) Income received for rental and/or maintenance of premises;
 - (ca) Rental to our related party companies paid for use of motor vehicles; and
 - (da) Advances received by our related party companies for settlement of bank credit facilities.
- (vii) During FYE 2014 and FYE 2015, Best Contact has sold thermometers, blood pressure monitor and nebulisers under the brand name "Rossmax" to CMSB for onward sale to various pharmacies and clinics. These transactions were conducted as CMSB did not have the necessary trade facilities to purchase the said healthcare equipment directly from the brand manufacturer. However, our Group has ceased the sale of these equipment to CMSB with effect from 1 July 2015.

Such recurrent related party transactions with CMSB shall not reoccur after our Listing.

Our Board is of the view that all of the above related party transactions were conducted on an arm's length basis and were carried out in the ordinary course of business and on competitive commercial terms not more favourable to the related parties than those generally available to the third parties and were not to the detriment of our minority shareholders.

The Recurrent Transactions are transactions of revenue or trading in nature in our ordinary course of business and/or which are necessary for our day-to-day operations. Moving forward, our Board shall seek the approval from our non-interested shareholders for a mandate to enter into such Recurrent Transactions (if any) at the general meeting(s) of our Company in order to mitigate any potential conflict of interest arising from such Recurrent Transactions. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions in our ordinary course of business without the need to convene numerous general meetings to approve such recurrent transactions as and when they are entered into. The shareholders' mandate is subject to annual renewal.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, monitor potential Recurrent Transactions (if any) and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual reports with regard to any Recurrent Transactions.

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

Any proposed related party transactions which involves the interest, direct and indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

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

10.2 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

As at the LPD, save as disclosed below, none of our Directors, substantial shareholders and key management personnel has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade as our Group or are the clients and/or suppliers of our Group:-

| Company | Principal activities | Director | Involvement | % of equity interest | |
|---------|---|----------------|--|----------------------|---------------------|
| | | | | Direct | Indirect |
| STSB | Designing, fabricating and supplying mortuary and stainless steel products under the brand name "HICO" | Koh Lap Hing | Director and shareholder | 38.0 | - |
| | | Hew Chun Shun | Director and shareholder | 38.0 | - |
| | | Chung Eng Lam | Director and shareholder | 19.0 | - |
| | | Kew Kin Chee | Shareholder | 5.0 | - |
| CMSB | Distribution of healthcare products such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer | Liaw Chong Lin | Non-Executive Director and shareholder | 26.4 | - |
| | | Hew Chun Shun | Non-Executive Director and shareholder | 25.2 | - |
| | | Chung Eng Lam | Non-Executive Director and shareholder | 15.1 | - |
| | | Koh Lap Hing | Shareholder | 15.3 | - |
| | | Kew Kin Chee | Shareholder | 4.0 | - |
| | | Chong Wai Mun | Shareholder | 7.2 | - |
| Amirdic | Provision of medical equipment (mortuary equipment and accessories) | Koh Lap Hing | Shareholder | - | 22.0 ⁽ⁱ⁾ |
| | | Hew Chun Shun | Director and shareholder | 22.0 | - |

Note:-

- (i) Deemed interested by virtue of Section 6A of the Act held through his son, Koh Hoong Ciang.

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

Our Board has reviewed the involvements of the abovementioned Directors and key management personnel in the abovementioned companies and has noted the following:-

- (a) STSB was previously involved in the designing, fabricating and supplying of mortuary and stainless steel products (such as stainless steel table and trolleys used at the mortuary department) under the brand name "HICO". However, STSB has ceased its business activities but it is still generating revenue from charging Amirdic royalty fees for the use of its "HICO" brand name on the mortuary products distributed by Amirdic. In this respect, Amirdic engages a sub-contractor to undertake the design and fabrication of the mortuary and stainless steel products, which is then distributed by Amirdic under the "HICO" brand name.

Save for the collection of royalty fees, STSB is not involved in any other business activity. The company intends to dispose the brand name "HICO" and thereafter it will be wound-up in due course.

- (b) CMSB is principally involved in the provision of distribution of healthcare products, such as blood pressure monitor, stethoscope, nebuliser, pedometer and thermometer. The shareholders and Directors of CMSB are as follows:-

| Names | Position held in CMSB | Shareholdings held in CMSB (%) |
|-----------------------------|--|---------------------------------------|
| Kew Kin Chee | Shareholder | 4.0 |
| Hew Chun Shun | Shareholder and Non-Executive Director | 25.2 |
| Chung Eng Lam | Shareholder and Non-Executive Director | 15.1 |
| Koh Lap Hing | Shareholder | 15.3 |
| Chong Wai Mun | Shareholder | 7.2 |
| Liaw Chong Lin | Shareholder and Non-Executive Director | 26.4 |
| Law Soo Chin ⁽ⁱ⁾ | Shareholder and Managing Director | 6.8 |
| Total | | 100.0 |

Note:-

- (i) Law Soo Chin does not have any family relationships with our Promoters, substantial shareholders and/or our Directors, as defined under Section 122A of the Act.
- (c) Amirdic is principally involved in the provision of medical equipment (mortuary equipment and accessories). This includes mortuary refrigerator, autopsy table, wall mounted dissecting sink and trolley, body bath table, kaban trolley, covered cadaver trolley, body viewing table, body lifting trolley, baby refrigerator, body tray and organ dissecting tray. The shareholders and Directors of Amirdic are as follows:-

| Names | Position held in Amirdic | Shareholdings held (%) |
|--------------------------------|---------------------------------|-------------------------------|
| Amirhakim bin Ahmad | Executive Director | 42.0 |
| Hew Chun Shun | Non-Executive Director | 22.0 |
| Abd Razak bin Selamat | Executive Director | 11.0 |
| Juliana binti Ishak | Executive Director | 3.0 |
| Koh Hoong Ciang ⁽ⁱ⁾ | - | 22.0 |
| Total | | 100.0 |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)**Note:-**

- (i) Koh Hoong Ciang is the son of Koh Lap Hing.

(Source: Based on the search result conducted on Amirdic on 17 February 2016 at CCM and based on the documents lodged by Amirdic to CCM as at 17 September 2015)

Based on the above, our Board is of the opinion that the involvements of the abovementioned Executive Directors (namely Koh Lap Hing, Liaw Chong Lin, Hew Chun Shun and Chung Eng Lam) and key management personnel (namely Kew Kin Chee and Chong Wai Mun) would not give rise to conflict of interest situation based on the following justifications:-

- (a) The mortuary products and accessories distributed by both Amirdic and CMSB are not categorised as medical devices under the MDA Act and MDR Act, and as such does not compete directly with our range of medical devices that we currently distribute; and
- (b) The healthcare products distributed by CMSB are categorised as surgical, implants and clinical devices whereas the medical devices distributed by both Best Contact and Maymedic are categorised as consumables and healthcare equipment under the medical devices industry.

Whilst the above products serves the same market and are sold to the same customers in the healthcare industry, the medical devices and products distributed by Amirdic, STSB and CMSB do not have any similarity in its usage/functions. The table below describes the different product categories of medical devices and its respective usage/functions:-

| Category | Description |
|---|--|
| Consumables | <ul style="list-style-type: none"> Usually disposable, non-durable and cannot be repeatedly used by more than one individual. Consists of wound care products such as bandages, dressings and cotton swabs, gloves and protective products such as medical gloves and condoms, fluids and irrigation products such as needles and syringes, incontinence products such as catheters and bowel care products, as well as miscellaneous products such as sanitisers, oral care and eye care products. Other consumables that may be included are imaging films used in diagnostic imaging equipment, instrument cleaning chemistries and disinfectants used for cleaning, decontamination and sterilisation of surgical instruments as well as consumables for sterile assurance products for sterilisation monitoring purpose. |
| Surgical, implants and clinical devices | <ul style="list-style-type: none"> Surgical instruments are used to perform the removal or modification of tissue during surgery. Implants and clinical devices are usually electronic, portable and easily replaceable in its form, for diagnosis, monitoring, treatment, replacement or enhancement of body parts clinical devices may include home-monitoring devices such as blood pressure machines and thermometers, therapeutic appliances such as haemodialysis machines, therapeutic ultrasound machines and neuromuscular stimulation machines. |
| Healthcare equipment | <ul style="list-style-type: none"> Consists of machines that require calibration, maintenance, repair, user training and decommissioning. They are usually large in form and require fittings to form a system of usage. Examples include diagnostic imaging equipment, sterilisation and disinfection equipment, surgical lighting and pendant system, life support equipment, radiation equipment and monitoring system equipment. |

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

- (a) Kew Kin Chee is only a shareholder in both STSB and CMSB, and hence does not contribute to the day-to-day operations of both STSB and CMSB;
- (b) Chong Wai Mun is only a shareholder of CMSB, and hence does not contribute to the day-to-day operation of CMSB; and
- (c) The shareholders and Executive Directors of Amirdic are Abdul Razak bin Selamat, Amirhakim bin Ahmad and Juliana binti Ishak, who collectively hold 56% equity interest in Amirdic. In this regard, Amirdic has obtained the Bumiputera Recognition Status Certificate from the Ministry of Finance on 11 December 2015 and has also been issued with a Bumiputera Status Contractor Certificate from Pusat Khidmat Kontraktor (now known as Bahagian Pembangunan Kontraktor dan Usahawan, a division under the Ministry of Works) on 25 November 2013. The certificates will expire on 10 December 2018 and 3 June 2018, respectively.

Koh Lap Hing (via his indirect interest held by his son, Koh Hoong Ciang) and Hew Chun Shun are only investors in Amirdic and are not involved in its day-to-day operations. Hence, they would not be able to exert any significant influence on its business decisions, strategies, policies and other matters which would result in it competing directly with our Group.

The range of medical devices distributed by Amirdic, CMSB and STSB would not affect our Group's growth in the medical devices industry based on the following justifications:-

- (a) Their range of medical devices do not have any similarity in terms of intended usage and functions despite the above products being used in healthcare sector and our range of medical devices are sold mainly to our customers whom are healthcare services providers such as hospitals and medical centres. The range of medical devices sold by the abovementioned companies are targeted at the general population and to the mortuary department of hospitals/medical centres. As such, the medical devices sold by the abovementioned companies are not effective product substitutes to our range of medical devices;
- (b) A majority of the range of medical devices that we are currently distributing are being registered under the MDA Act and MDR Act. This creates a high barrier of entry as we are required to undergo and comply with stringent requirements set by both MDA Act and MDR Act to have our medical devices registered before they can be imported, exported or placed in the market;
- (c) The demand for our range of medical devices in Malaysia stems mainly from Malaysia's growing and ageing population, the growing prevalence of chronic lifestyle diseases and increasing healthcare expenditure on healthcare services, leading to greater demand for the use of our range of medical devices, the increasing number of healthcare providers and a growing healthcare travel industry; and
- (d) Our Group has the capabilities and experiences to distribute a diverse range of medical devices, which allow us to serve the different needs of our customers. Our diversified capabilities and wide range of products allow us to target a large customer base, making us less dependent on any particular product and/or customer. It also gives us flexibility in reacting to changing customer needs and demands.

Amirdic, CMSB and STSB have each provided an undertaking letter dated 6 April 2016 that they shall not, without the prior written consent of our Company, be involved in directly or indirectly, carry on (whether alone or in partnership or joint venture with anyone else other than our Group) or otherwise be engaged in any business to distribute, market or sell similar

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

categories and/or brands of medical devices as distributed, marketed or sold by our Group as at the date of the undertaking letter. In the event that these companies shall receive any enquiry for the purchase of the medical devices distributed, marketed and sold by our Group, they shall first direct all such enquiries to our Group and all transactions shall be conducted at arm's length basis.

10.3 OTHER TRANSACTIONS**10.3.1 Transactions that is unusual in their nature or conditions**

Save as disclosed in Sections 10.1 and 10.2 above, our Directors have confirmed that there were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of subsidiaries were a party in respect of the past four (4) FYEs 2012 to 2015 as well as FPE 31 March 2016.

10.3.2 Outstanding loans (including guarantees of any kind)

Save as disclosed below, there were no outstanding loans (including guarantees of any kind) made to/by us to or for the benefit of any related party in respect, for the past four (4) FYEs 2012 to 2015 as well as FPE 31 March 2016:-

- (a) STSB has provided advances for the total amount of RM650,000 to Maymedic during FYE 2015 for the purpose of full settlement of a credit facility undertaken by Maymedic ("Advances"). There are no interest charged, no fixed terms of repayment and no conditions imposed on this Advances. The Advances was provided to assist Maymedic in making payment for letter of credit facilities taken by Maymedic for the purchase of disinfection, sterilisation and surgical equipment. The Advances has been fully repaid by Maymedic to STSB in December 2015 via Maymedic's internally generated funds.

10.3.3 Promotions of material assets

Save for the Disposals as set out in Section 5.5.2(d) of this Prospectus, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within the past four (4) FYEs 2012 to 2015 as well as FPE 31 March 2016, acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to us.

10.3.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Underwriter and Placement Agent for our Listing:-

- (a) Agreement dated 20 March 2015 between our Company and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and
- (b) Underwriting Agreement.

10. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

10.4 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing;
- (b) Messrs Ilham & Lee has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing;
- (c) Messrs UHY has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Protége Associates has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

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11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



Date: **14 SEP 2016**

The Board of Directors
BCM Alliance Berhad
(Company No. 1135238-U)
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

Dear Sirs,

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BCM ALLIANCE BERHAD (“BCM” OR “THE COMPANY”) AND IT’S SUBSIDIARIES (COLLECTIVELY KNOWN AS “BCM GROUP” OR “THE GROUP”) AS AT 31 MARCH 2016 (“PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION”)

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position prepared by the Directors of the Company (“Directors”).

The Pro Forma Consolidated Statements of Financial Position and the notes set out in Appendix A of this letter are compiled by the Directors for illustrative purposes only for inclusion into the Prospectus of BCM Group in connection with the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of BCM Group on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact of the listing scheme set out in the accompanying Notes 1 to 4 to the Pro Forma Consolidated Statements of Financial Position.

As part of this process, information on the financial position of BCM has been extracted by the Directors from the relevant financial statements as at 31 March 2016, on which an audited financial statements has been prepared.

The Directors’ Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission Malaysia and the basis described in the Notes of Appendix A to the pro forma consolidated statement of financial position.

11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)



The pro forma consolidated statement of financial position has incorporated the following:-

1. Acquisitions

BCM Alliance Berhad (“BCM”) has entered into three (3) share purchase agreements to acquire the entire equity interest in CS Laundry System Sdn. Bhd. (“CS Laundry”), Best Contact (M) Sdn. Bhd. (“Best Contact”), and Maymedic Technology Sdn. Bhd. (“Maymedic”) for a total purchase consideration of RM16,850,000 to be satisfied via the issuance of 337,000,000 ordinary shares of RM0.05 each in BCM (collectively referred to as “Acquisitions”).

2. Listing Scheme

The listing scheme entails:-

- (a) Public issue of 84,250,000 new ordinary shares of RM0.05 each in BCM (“BCM Share” or “Share(s)”) at an issue price of RM0.19 per BCM Share in the following manner:-
- (i) 22,000,000 new Shares available for application by the Malaysian public;
 - (ii) 9,000,000 new Shares available for application by the eligible Directors and employees of BCM who have contributed to the success of the BCM and its group of companies (“BCM Group”); and
 - (iii) 53,250,000 new Shares allocated by way of private placement to selected investors.
- (collectively, the “Public Issue”)

and

Offer for sale of 42,125,000 Shares (“Offer Shares”) by Koh Lap Hing, Hew Chun Shun, Chung Eng Lam, Liaw Chong Lin, Lim Jit Wei, Kew Kin Chee, Chong Wai Mun, Chung Mei Sun and Lim Tow Keng (collectively, the “Offerors”), representing 10.0% of the enlarged issued and paid-up share capital of BCM, at an offer price of RM0.19 per Offer Share to selected investors (“Offer for Sale”); and

- (b) Listing of and quotation for the entire enlarged issued and paid-up share capital of BCM comprising 421,250,200 BCM Shares on the ACE Market of Bursa Securities.

(collectively, referred to as “Listing Scheme”)

11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)



Our Responsibilities

Our responsibility is to express an opinion as required by Bursa Securities, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis of the Restructuring and Listing Scheme.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with the ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the applicable criteria.

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

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

- (a) The related pro forma adjustments give appropriate effect to those criteria; and
- (b) The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

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

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

11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)



Opinion

In our opinion:

- (i) the Pro Forma Consolidated Statements of Financial Position, which have been prepared by the Directors, have been properly prepared on the basis stated in the accompanying Note 1 in Appendix A to the Pro Forma Consolidated Statements of Financial Position using financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format to the financial statements and the accounting policies adopted by the Company; and
- (ii) each material adjustments made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position is appropriate for the purpose of preparing the Pro Forma Consolidated Statements of Financial Position.

Other Matters

This letter has been prepared for the purpose of inclusion in the Prospectus of BCM. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Initial public offering ("IPO") described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the IPO.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

CHAN JEE PENG
Approved Number: 3068/08/18 (J)
Chartered Accountant

Kuala Lumpur, Malaysia

11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)**Appendix A****BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016****1. Basis of Preparation**

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 March 2016, of which the Directors of the Group are solely responsible, has been prepared for illustration purposes only, to show the effects on the consolidated statements of financial position of the Group had the IPO been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 March 2016 has been prepared based on the consolidated statements of financial position of the Group as at 31 March 2016.

The Pro Forma Consolidated Statements of Financial Position of the Group has been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group in the preparation of its consolidated financial statements as at 31 March 2016, which have been prepared by the Directors in accordance with the Malaysian Financial Reporting Standards.

The Pro Forma Consolidated Statements of Financial Position has been prepared using the merger method to account for the Acquisitions of subsidiaries as this business combination involves entities or businesses which are ultimately controlled by the same parties before and after the business combination. Under the merger method,

- i) If the cost of merger is lower than the nominal value of the share capital of the subsidiary acquired, a credit balance will arise and be treated as a merger reserve under the Pro Forma Consolidated Statements of Financial Position.
- ii) If the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired, a debit balance will arise and be treated as a merger deficit under the Pro Forma Consolidated Statements of Financial Position.

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11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

Appendix A

**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**

2. Acquisitions

In preparation of the IPO, BCM has entered into three (3) share purchase agreements to acquire the entire equity interest in CS Laundry, Best Contact and Maymedic as follows:-

(a) *Acquisitions of CS Laundry*

Acquisitions by BCM of the entire equity interest of CS Laundry, comprising 201,000 ordinary shares of RM1.00 each in CS Laundry for a total purchase consideration of RM8,400,000 satisfied via the issuance of 168,000,000 new Shares at par.

(b) *Acquisitions of Best Contact*

Acquisitions by BCM of the entire equity interest of Best Contact, comprising 400,000 ordinary shares of RM1.00 each in Best Contact for a total purchase consideration of RM5,750,000 satisfied via the issuance of 115,000,000 new Shares at par.

(c) *Acquisitions of Maymedic*

Acquisitions by BCM of the entire equity interest of Maymedic, comprising 200,000 ordinary shares of RM1.00 each in Best Contact for a total purchase consideration of RM2,700,000 satisfied via the issuance of 54,000,000 new Shares at par.

3. Listing Scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the ACE Market of Bursa Securities, the details of the Listing Scheme are as follows:-

(a) Public issue of 84,250,000 new BCM Shares at an indicative issue price of RM0.19 per BCM Share in the following manner:-

- (i) 22,000,000 new Shares available for application by the Malaysian public;
- (ii) 9,000,000 new Shares available for application by our eligible Directors and employees of BCM who have contributed to the success of BCM Group; and
- (iii) 53,250,000 new Shares allocated by way of private placement to selected investors.

(collectively, the "Public Issue")

and



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

Appendix A

**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 MARCH 2016 (CONT'D)**

3. Listing Scheme (Cont'd)

The offer for sale of 42,125,000 Shares ("Offer Shares") by Koh Lap Hing, Hew Chun Shun, Chung Eng Lam, Liaw Chong Lin, Lim Jit Wei, Kew Kin Chee, Chong Wai Mun, Chung Mei Sun and Lim Tow Keng (collectively, the "Offerors"), representing 10.0% of the enlarged issued and paid-up share capital of BCM, at an indicative offer price of RM0.19 per BCM Share to selected investors ("Offer for Sale"); and

- (b) Proposed Listing of and quotation for the entire enlarged issued and paid-up share capital of BCM comprising 421,250,200 BCM Shares on the ACE Market of Bursa Securities.

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11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)
Appendix A
**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4. Pro Forma Consolidated Statements of Financial Position as at 31 March 2016

The Pro Forma Consolidated Statements of Financial Position of BCM Group as at 31 March 2016 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that BCM Group had been in existence on 31 March 2016 and the IPO completed on that date.

| | Note | ←-----Pro forma Group-----→ | | | |
|---|--------|--|---------------------------------|--|--|
| | | I | II | III | |
| | | BCM as at 31 March 2016 RM'000 | After Acquisitions RM'000 | After Pro forma I and Public Issue RM'000 | After Pro forma II and Utilisation of Proceeds RM'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 4.2.1 | 2 | 7,453 | 7,453 | 10,053 |
| Total Non-Current Assets | | 2 | 7,453 | 7,453 | 10,053 |
| Current Assets | | | | | |
| Inventories | 4.2.2 | - | 11,364 | 11,364 | 19,064 |
| Trade receivables | 4.2.3 | - | 6,301 | 6,301 | 6,301 |
| Other receivables | 4.2.4 | 237 | 954 | 954 | 954 |
| Tax recoverable | 4.2.5 | - | 294 | 294 | 294 |
| Fixed deposits with licensed banks | 4.2.6 | - | 5,093 | 5,093 | 5,093 |
| Cash and bank balances | 4.2.7 | 112 | 4,043 | 20,051 | 7,251 |
| Total Current Assets | | 349 | 28,049 | 44,057 | 38,957 |
| Total Assets | | 351 | 35,502 | 51,510 | 49,010 |
| Equity | | | | | |
| Share capital | 4.2.8 | * | 16,850 | 21,063 | 21,063 |
| Share premium | 4.2.9 | - | - | 11,795 | 11,795 |
| Consolidation reserve | 4.2.10 | - | (16,049) | (16,049) | (16,049) |
| Retained profits | 4.2.11 | (51) | 18,505 | 18,505 | 16,005 |
| Total equity attributable to the owners of the Company | | (51) | 19,306 | 35,314 | 32,814 |



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

Appendix A

**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4. Pro Forma Consolidated Statements of Financial Position as at 31 March 2016 (Cont'd)

| | Note | <-----Pro forma Group-----> | | | |
|--|--------|--|---------------------------------|--|--|
| | | I | II | III | |
| | | BCM as at 31 March 2016 RM'000 | After Acquisitions RM'000 | After Pro forma I and Public Issue RM'000 | After Pro forma II and Utilisation of Proceeds RM'000 |
| LIABILITIES | | | | | |
| Non-Current Liabilities | | | | | |
| Hire purchase payables | 4.2.12 | - | 975 | 975 | 975 |
| Bank borrowings | 4.2.13 | - | 3,550 | 3,550 | 3,550 |
| Deferred tax liabilities | 4.2.14 | - | 175 | 175 | 175 |
| Total Non-Current Liabilities | | - | 4,700 | 4,700 | 4,700 |
| Current Liabilities | | | | | |
| Trade payables | 4.2.15 | - | 3,619 | 3,619 | 3,619 |
| Other payables | 4.2.16 | 392 | 6,528 | 6,528 | 6,528 |
| Amount owing to Directors | 4.2.17 | 10 | 372 | 372 | 372 |
| Hire purchase payables | 4.2.12 | - | 327 | 327 | 327 |
| Bank borrowings | 4.2.13 | - | 650 | 650 | 650 |
| Total Current Liabilities | | 402 | 11,496 | 11,496 | 11,496 |
| Total Liabilities | | 402 | 16,196 | 16,196 | 16,196 |
| Total Equity and Liabilities | | 351 | 35,502 | 51,510 | 49,010 |
| Par value per ordinary share (RM) | | 0.05 | 0.05 | 0.05 | 0.05 |
| Number of ordinary shares ('000) | | # | 337,000 | 421,250 | 421,250 |
| NA (RM'000) | | (51) | 19,306 | 35,314 | 32,814 |
| NA per share (RM) | | ^ | 0.06 | 0.08 | 0.08 |
| Borrowings (All interest bearing debts) (RM'000) | | - | 5,502 | 5,502 | 5,502 |
| Gearing (Times) | | - | 0.28 | 0.16 | 0.17 |

Notes: -

* Represents RM10.00

Represents 200 shares

^ Represents net liability of RM255 per share



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)
Appendix A
**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4.1 Pro forma Adjustments to the Pro Forma Consolidated Statements of Financial Position
Pro forma I

Pro forma I incorporate the effects of the Acquisitions of CS Laundry, Best Contact and Maymedic.

Pro forma II

Pro forma II incorporates the effects of Pro forma I and public issue of 84,250,000 new shares at an offer price of RM0.19 per share.

Upon completion of the IPO, the issued and paid-up share capital will increase from RM16,850,000 comprising 337,000,200 Shares to RM21,062,510 comprising 421,250,200 Shares.

The Offer for Sale outlined in Section 3 does not have any financial impact to the Pro forma Consolidated Statement of Financial Position.

Pro forma III

Pro forma III incorporates the effects of Pro forma I, II and the utilisation of proceeds as follows:-

| Proposed Utilisation | RM'000 | % | Estimated timeframe for use (from the listing date) |
|--|---------------|---------------|--|
| Setting up chain of Speed Queen® self-service laundrette outlets | 2,600 | 16.2% | Up to twenty four (24) months |
| Purchase of brand new commercial laundry equipment and medical devices | 7,700 | 48.1% | Up to twenty four (24) months |
| General working capital requirements | 3,208 | 20.1% | Up to twelve (12) months |
| Estimated listing expenses | 2,500 | 15.6% | Within one (1) month |
| Total | 16,008 | 100.0% | |



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)
Appendix A
**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4.2 Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 March 2016
4.2.1 Property, Plant and Equipment

| | RM'000 |
|-------------------------------|----------------------|
| As at 31 March 2016 | 2 |
| Arising from the Acquisitions | 7,451 |
| As per Pro forma I and II | <u>7,453</u> |
| Utilisation of Proceeds* | 2,600 |
| As per Pro forma III | <u>10,053</u> |

Note: * For setting up chain of Speed Queen® self-service laundrette outlets.

4.2.2 Inventories

| | RM'000 |
|-------------------------------|----------------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 11,364 |
| As per Pro forma I and II | <u>11,364</u> |
| Utilisation of Proceeds* | 7,700 |
| As per Pro forma III | <u>19,064</u> |

Note: * For purchase of brand new commercial laundry equipment and medical devices.

4.2.3 Trade Receivables

| | RM'000 |
|---------------------------------------|---------------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 6,301 |
| As per Pro forma I, II and III | <u>6,301</u> |

4.2.4 Other Receivables

| | RM'000 |
|---------------------------------------|-------------------|
| As at 31 March 2016 | 237 |
| Arising from the Acquisitions | 717 |
| As per Pro forma I, II and III | <u>954</u> |



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)
Appendix A
**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4.2 Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 March 2016 (Cont'd)
4.2.5 Tax Recoverable

| | RM'000 |
|---------------------------------------|------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 294 |
| As per Pro forma I, II and III | 294 |

4.2.6 Fixed Deposits with Licensed Banks

| | RM'000 |
|---------------------------------------|--------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 5,093 |
| As per Pro forma I, II and III | 5,093 |

4.2.7 Cash and Bank Balances

| | RM'000 |
|-------------------------------|--------------|
| As at 31 March 2016 | 112 |
| Arising from the Acquisitions | 3,931 |
| As per Pro forma I | 4,043 |
| Public Issue | 16,008 |
| As per Pro forma II | 20,051 |
| Utilisation of Proceeds | (12,800) |
| As per Pro forma III | 7,251 |

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11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)
Appendix A
**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4.2 Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 March 2016 (Cont'd)
4.2.8 Share Capital

| | RM'000 |
|------------------------------------|----------------------|
| As at 31 March 2016 | * |
| Arising from the Acquisitions | 16,850 |
| As per Pro forma I | <u>16,850</u> |
| Public Issue | 4,213 |
| As per Pro forma II and III | <u>21,063</u> |

Note: * Represents RM10.00 being issued share capital of BCM.

4.2.9 Share Premium

| | RM'000 |
|------------------------------------|----------------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | - |
| As per Pro forma I | <u>-</u> |
| Public Issue | 11,795 |
| As per Pro forma II and III | <u>11,795</u> |

4.2.10 Consolidation Reserve

| | RM'000 |
|---------------------------------------|------------------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | (16,049) |
| As per Pro forma I, II and III | <u>(16,049)</u> |

4.2.11 Retained profits

| | RM'000 |
|-------------------------------|----------------------|
| As at 31 March 2016 | (51) |
| Arising from the Acquisitions | 18,556 |
| As per Pro forma I and II | <u>18,505</u> |
| Utilisation of Proceeds* | (2,500) |
| As per Pro forma III | <u>16,005</u> |

Note: * For payment of listing expenses pursuant to the IPO.



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

Appendix A

**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016 (CONT'D)**
4.2 Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 March 2016 (Cont'd)
4.2.12 Hire Purchase Payables

| | RM'000 |
|---------------------------------------|------------|
| Non-Current Liabilities | |
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 975 |
| As per Pro forma I, II and III | <u>975</u> |
| Current Liabilities | |
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 327 |
| As per Pro forma I, II and III | <u>327</u> |

4.2.13 Bank Borrowings

| | RM'000 |
|---------------------------------------|--------------|
| Non-Current Liabilities | |
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 3,550 |
| As per Pro forma I, II and III | <u>3,550</u> |
| Current Liabilities | |
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 650 |
| As per Pro forma I, II and III | <u>650</u> |

4.2.14 Deferred Tax Liabilities

| | RM'000 |
|---------------------------------------|------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 175 |
| As per Pro forma I, II and III | <u>175</u> |



11. REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Cont'd)

Appendix A

**BCM ALLIANCE BERHAD AND ITS SUBSIDIARIES ("BCM GROUP")
 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
 POSITION AS AT 31 MARCH 2016 (CONT'D)**
4.2 Notes to the Pro Forma Consolidated Statements of Financial Position as at 31 March 2016 (Cont'd)
4.2.15 Trade Payables

| | RM'000 |
|---------------------------------------|--------------|
| As at 31 March 2016 | - |
| Arising from the Acquisitions | 3,619 |
| As per Pro forma I, II and III | 3,619 |

4.2.16 Other Payables

| | RM'000 |
|---------------------------------------|--------------|
| As at 31 March 2016 | 392 |
| Arising from the Acquisitions | 6,136 |
| As per Pro forma I, II and III | 6,528 |

4.2.17 Amount Owing to Directors

| | RM'000 |
|---------------------------------------|------------|
| As at 31 March 2016 | 10 |
| Arising from the Acquisitions | 362 |
| As per Pro forma I, II and III | 372 |

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING MANAGEMENT DISCUSSION AND ANALYSIS OF THE AUDITED RESULTS FOR OUR GROUP FROM FYE 2012 TO FYE 2015 AND FPE 31 MARCH 2016 SHOULD BE READ IN CONJUNCTION WITH OUR COMBINED FINANCIAL INFORMATION AND THE NOTES RELATED IN SECTION 13 OF THIS PROSPECTUS.

THIS DISCUSSION AND ANALYSIS CONTAINS DATA DERIVED FROM THE AUDITED FINANCIAL STATEMENTS OF OUR GROUP AS WELL AS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. YOU SHOULD ALSO CAREFULLY CONSIDER THE RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCES AS SET OUT IN SECTION 4 OF THIS PROSPECTUS.

12.1 FINANCIAL RESULTS AND POSITION

Our combined financial information has been compiled according to the basis and accounting policies consistent with those currently adopted by our Group which are set out in the notes included in the Accountants' Report as set out in Section 13 of this Prospectus. The financial statements used in the preparation of our combined financial information were prepared in accordance with the approved accounting standards issued by the Malaysian Accounting Standards Board. Any adjustments which were dealt with when preparing our combined financial information have been highlighted and disclosed in Section 13 of this Prospectus.

Combined statements of profit or loss and other comprehensive income

The following table sets out the combined statements of profit or loss and other comprehensive income for the FYE 2012 to 2015 as well as FPE 31 March 2015 and FPE 31 March 2016, which have been prepared for illustrative purposes only.

You should read this combined statement of profit or loss and other comprehensive income in conjunction with the accompanying notes included in the Accountants' Report as set out in Section 13 of this Prospectus.

| | Combined Group | | | | | |
|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--|--|
| | Audited FYE 2012 RM'000 | Audited FYE 2013 RM'000 | Audited FYE 2014 RM'000 | Audited FYE 2015 RM'000 | Unaudited FPE 31 March 2015 RM'000 | Audited FPE 31 March 2016 RM'000 |
| Revenue | 19,063 | 35,379 | 51,027 | 64,335 | 20,847 | 14,841 |
| Less: Cost of sales | (11,738) | (25,693) | (33,361) | (45,308) | (15,077) | (9,541) |
| Gross Profit | 7,325 | 9,686 | 17,666 | 19,027 | 5,770 | 5,300 |
| Other operating income | 148 | 225 | 354 | 220 | 31 | 156 |
| Administrative expenses | (5,894) | (6,738) | (9,409) | (10,267) | (2,395) | (2,810) |
| Depreciation | (529) | (349) | (523) | (547) | (119) | (154) |
| Profit from operations | 1,050 | 2,824 | 8,088 | 8,433 | 3,287 | 2,492 |
| Finance costs | (271) | (336) | (351) | (362) | (87) | (90) |
| PBT | 779 | 2,488 | 7,737 | 8,071 | 3,200 | 2,402 |
| Taxation | (570) | (480) | (2,114) | (1,945) | (775) | (590) |
| PAT | 209 | 2,008 | 5,623 | 6,126 | 2,425 | 1,812 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

| | Combined Group | | | | | |
|--|----------------|---------|---------|---------|-----------|----------|
| | Audited | Audited | Audited | Audited | Unaudited | Audited |
| | FYE | FYE | FYE | FYE | FPE | FPE |
| | 2012 | 2013 | 2014 | 2015 | 31 March | 31 March |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| No. of Shares assumed to be in issue ('000) ⁽¹⁾ | 337,000 | 337,000 | 337,000 | 337,000 | 337,000 | 337,000 |
| EBIT | 1,050 | 2,824 | 8,088 | 8,433 | 3,287 | 2,492 |
| EBITDA | 1,579 | 3,173 | 8,611 | 8,980 | 3,406 | 2,646 |
| GP margin (%) | 38.4 | 27.4 | 34.6 | 29.6 | 27.7 | 35.7 |
| PBT margin (%) | 4.1 | 7.0 | 15.2 | 12.5 | 15.3 | 16.2 |
| PAT margin (%) | 1.1 | 5.7 | 11.0 | 9.5 | 11.6 | 12.2 |
| Effective tax rate (%) | 73.2 | 19.3 | 27.3 | 24.1 | 24.2 | 24.6 |
| Net EPS (sen) | 0.06 | 0.60 | 1.67 | 1.82 | 0.72 | 0.54 |
| No. of Shares assumed to be in issue ('000) ⁽²⁾ | 421,250 | 421,250 | 421,250 | 421,250 | 421,250 | 421,250 |
| Diluted net EPS (sen) ⁽³⁾ | 0.05 | 0.48 | 1.33 | 1.45 | 0.58 | 0.43 |

Notes:-

- (1) Based on the number of Shares in issuance before our IPO.
- (2) Based on the enlarged number of Shares in issuance after our IPO.
- (3) The diluted net EPS is computed by dividing PAT over the enlarged number of Shares after our IPO.

Combined statements of financial position

The following table sets out the summary combined statements of financial position for the FYE 2012 to FYE 2015 as well as FPE 31 March 2015 and FPE 31 March 2016, which have been prepared for illustrative purposes only:-

| | Combined Group | | | | | |
|-------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | Audited | Audited | Audited | Audited | Unaudited | Audited |
| | FYE | FYE | FYE | FYE | FPE | FPE |
| | 2012 | 2013 | 2014 | 2015 | 31 March | 31 March |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Total non-current assets | 4,360 | 4,260 | 5,547 | 7,568 | 5,546 | 7,451 |
| Total current assets | 16,718 | 20,921 | 27,446 | 27,887 | 29,240 | 27,699 |
| Total assets | 21,078 | 25,181 | 32,993 | 35,455 | 34,786 | 35,150 |
| Total non-current liabilities | 2,443 | 2,262 | 3,334 | 4,827 | 3,190 | 4,699 |
| Total current liabilities | 10,360 | 13,236 | 16,058 | 13,083 | 15,570 | 11,094 |
| Total liabilities | 12,803 | 15,498 | 19,392 | 17,910 | 18,760 | 15,793 |
| Net assets | 8,275 | 9,683 | 13,601 | 17,545 | 16,026 | 19,357 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

| | Combined Group | | | | | |
|---------------------|----------------|--------------|---------------|---------------|---------------|---------------|
| | Audited | Audited | Audited | Audited | Unaudited | Audited |
| | FYE | FYE | FYE | FYE | FPE | FPE |
| | 2012 | 2013 | 2014 | 2015 | 31 March | 31 March |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Share capital | 801 | 801 | 801 | 801 | 801 | 801 |
| Retained profits | 7,474 | 8,882 | 12,800 | 16,744 | 15,225 | 18,556 |
| Total equity | 8,275 | 9,683 | 13,601 | 17,545 | 16,026 | 19,357 |

Pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position as at 31 March 2016 as set out below are provided for illustrative purposes only and is based on the assumption that the current structure of our Group had been in existence on 31 March 2016 and that the IPO had been completed on that date. It should be read in conjunction with the Reporting Accountants' Report together with the notes and assumptions accompanying the pro forma consolidated statements of financial position as set out in Section 11 of this Prospectus.

| | (I) | (II) | (III) |
|--|-------------|---------------|---------------|
| | As at | After Pro | After Pro |
| | 31 March | forma (I) | forma (II) |
| | 2016 | and Public | and |
| | RM'000 | Issue | utilisation |
| | | RM'000 | of proceeds |
| | | | RM'000 |
| Non-Current Assets | | | |
| Property, plant and equipment | 2 | 7,453 | 10,053 |
| Total Non-Current Assets | 2 | 7,453 | 10,053 |
| Current Assets | | | |
| Inventories | - | 11,364 | 19,064 |
| Trade receivables | - | 6,301 | 6,301 |
| Other receivables | 237 | 954 | 954 |
| Tax recoverable | - | 294 | 294 |
| Fixed deposits with licensed banks | - | 5,093 | 5,093 |
| Cash and bank balances | 112 | 4,043 | 7,251 |
| Total Current Assets | 349 | 28,049 | 38,957 |
| Total Assets | 351 | 35,502 | 49,010 |
| Equity | | | |
| Share capital | * | 16,850 | 21,063 |
| Share premium | - | - | 11,795 |
| Consolidation reserve | - | (16,049) | (16,049) |
| (Accumulated losses)/ Retained profits | (51) | 18,505 | 16,005 |
| Total (deficit)/ equity attributable to equity holders of the Company | (51) | 19,306 | 32,814 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

| | | (I) | (II) | (III) |
|--|-------------------------------------|---------------------------------|---|--|
| | As at 31 March 2016 RM'000 | After Acquisitions RM'000 | After Pro forma (I) and Public Issue RM'000 | After Pro forma (II) and utilisation of proceeds RM'000 |
| <u>Non-Current Liabilities</u> | | | | |
| Hire purchase payables | - | 975 | 975 | 975 |
| Bank borrowings | - | 3,550 | 3,550 | 3,550 |
| Deferred tax liabilities | - | 175 | 175 | 175 |
| Total Non-Current Liabilities | - | 4,700 | 4,700 | 4,700 |
| <u>Current Liabilities</u> | | | | |
| Trade payables | - | 3,619 | 3,619 | 3,619 |
| Other payables | 392 | 6,528 | 6,528 | 6,528 |
| Amount owing to Directors | 10 | 372 | 372 | 372 |
| Hire purchase payables | - | 327 | 327 | 327 |
| Bank borrowings | - | 650 | 650 | 650 |
| Total Current Liabilities | 402 | 11,496 | 11,496 | 11,496 |
| Total Liabilities | 402 | 16,196 | 16,196 | 16,196 |
| Total Equity and Liabilities | 351 | 35,502 | 51,510 | 49,010 |
| Par value per Share (RM) | 0.05 | 0.05 | 0.05 | 0.05 |
| Number of Shares ('000) | # | 337,000 | 421,250 | 421,250 |
| (Net liability)/NA (RM'000) | (51) | 19,306 | 35,314 | 32,814 |
| (Net liability)/ NA per share (RM) | ^ | 0.06 | 0.08 | 0.08 |
| Borrowings (All interest bearing debts) (RM'000) | - | 5,502 | 5,502 | 5,502 |
| Gearing (times) | - | 0.28 | 0.16 | 0.17 |

Notes:-

- * Represents RM10.
- # Represents 200 Shares.
- ^ Represents net liability of RM255 per share.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Combined statements of cash flow

The following table sets out a summary of the combined statements of cash flow of our Group based on our audited financial statements for the FYE 2012 to FYE 2015 and FPE 31 March 2016.

| | Combined Group | | | | |
|--|----------------|--------------|----------------|----------------|----------------------------|
| | Audited | | | | |
| | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FPE 31 March 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash Flow From Operating Activities | | | | | |
| Profit before taxation | 779 | 2,488 | 7,737 | 8,071 | 2,402 |
| Adjustment for: | | | | | |
| Bad debts written off | 615 | 138 | 73 | - | - |
| Depreciation of property, plant and equipment | 529 | 349 | 523 | 547 | 154 |
| Gain on disposal of property, plant and equipment | (9) | (4) | (106) | - | - |
| Impairment on trade receivables | - | - | 56 | - | - |
| Interest expenses | 271 | 336 | 351 | 362 | 90 |
| Interest income | (88) | (83) | (59) | (109) | (9) |
| Impairment on investment in associate companies | 1 | - | - | - | - |
| Property, plant and equipment written off | - | - | 9 | - | - |
| Unrealised gain on foreign exchange | - | - | - | (27) | (124) |
| Operating profit before working capital changes | 2,098 | 3,224 | 8,584 | 8,844 | 2,513 |
| Changes in working capital | | | | | |
| Inventories | (144) | (3,704) | (2,047) | (3,470) | 569 |
| Trade receivables | (2,540) | 1,321 | (2,846) | 827 | (26) |
| Other receivables | 8 | (1,547) | (867) | 1,559 | 205 |
| Trade payables | 2,299 | 1,964 | (1,383) | (661) | (1,256) |
| Other payables | 450 | 163 | 4,332 | (1,482) | (736) |
| Amount owing to/by associate | - | (18) | (38) | 56 | - |
| Amount owing by/to subsidiaries | (21) | 21 | - | - | - |
| Amount owing to/by directors | (1,450) | 1,630 | 364 | (157) | 5 |
| | (1,398) | (170) | (2,485) | (3,328) | (1,239) |
| Cash generated from operations | 700 | 3,054 | 6,099 | 5,516 | 1,274 |
| Interest received | 88 | 83 | 59 | 109 | 9 |
| Interest paid | (271) | (336) | (351) | (362) | (90) |
| Tax refund | - | 312 | - | 47 | 202 |
| Tax paid | (490) | (584) | (2,166) | (2,279) | (564) |
| | (673) | (525) | (2,458) | (2,485) | (443) |
| Net cash from operating activities | 27 | 2,529 | 3,641 | 3,031 | 831 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

| | Combined Group | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------------|
| | Audited | | | | |
| | FYE 2012 RM'000 | FYE 2013 RM'000 | FYE 2014 RM'000 | FYE 2015 RM'000 | FPE 31 March 2016 RM'000 |
| Cash flow from investing activities | | | | | |
| Purchase of property, plant and equipment | (93) | (134) | (824) | (2,363) | (37) |
| Proceeds from disposal of property, plant and equipment | 9 | 7 | 232 | - | - |
| Purchase of additional shares in associate companies | - | (3) | - | - | - |
| Proceeds from disposal of a subsidiary company | - | - | - | 255 | - |
| Proceeds from disposal of a associate company | - | - | - | 3 | - |
| Net cash used in investing activities | (84) | (130) | (592) | (2,105) | (37) |
| Cash flow from financing activities | | | | | |
| Drawdown/(Repayment) of bank borrowings | 457 | 510 | 174 | 490 | (60) |
| Dividend paid | - | (600) | (1,705) | (2,183) | - |
| Repayment of hire purchase payables | (185) | (145) | (412) | (322) | (104) |
| (Increase)/Decrease of fixed deposits pledged | (609) | (23) | 718 | 531 | (45) |
| Net cash used in financing activities | (337) | (258) | (1,225) | (1,484) | (209) |
| Net (decrease)/increase in cash and cash equivalents | (394) | 2,141 | 1,824 | (558) | 585 |
| Cash and cash equivalents at the beginning of the financial years/periods | 3,456 | 3,062 | 5,203 | 7,027 | 6,469 |
| Cash and cash equivalents at the end of the financial years/period | 3,062 | 5,203 | 7,027 | 6,469 | 7,054 |
| Cash and cash equivalents at the end of the financial years/period comprises: | | | | | |
| Cash and bank balances | 3,062 | 5,203 | 7,027 | 6,710 | 3,931 |
| Fixed deposits with licensed banks | 2,774 | 2,797 | 2,079 | 1,548 | 5,093 |
| Less: Bank overdraft | - | - | - | (241) | (377) |
| | 5,836 | 8,000 | 9,106 | 8,017 | 8,647 |
| Less: Fixed deposits pledged to licensed banks | (2,774) | (2,797) | (2,079) | (1,548) | (1,593) |
| | 3,062 | 5,203 | 7,027 | 6,469 | 7,054 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.2 OVERVIEW OF OPERATIONS

(A) REVENUE

Our Group's revenue for the financial years/periods under review is derived entirely from the distribution of equipment specialising in the commercial laundry equipment and medical devices as well as provision of after-sales services, repair and maintenance services of commercial laundry products and medical devices. Please refer to Section 6 of this Prospectus for our Group's detailed business overview.

During FYE 2012 and FYE 2013, our Group's revenue is mainly derived from the distribution of medical devices business segment, contributing more than 50% of our Group's revenue during the financial years under review.

From FYE 2014 onwards, total revenue from commercial laundry equipment business segment has surpassed the revenue contribution from our medical devices business segment. Revenue from the distribution of commercial laundry equipment business segment contributed approximately 14.6% to 64.8% of our Group total revenue for the financial years/periods under review.

Revenue from sterilisation, disinfection and surgical room equipment sub-segment is mainly derived from the distribution of sterilisers, washers/ disinfectors and steam generators. Revenue from the distribution of sterilisation, disinfection and surgical room equipment sub-segment contributes approximately 7.3% to 31.0% of our Group's total revenue for the financial years/periods under review.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The following is the revenue analysis by business segments and subsidiaries for the FYE 2012 to FYE 2015 and FPE 31 March 2015 and FPE 31 March 2016.

(a) Analysis of revenue by business segments

The breakdown of our revenue by business segments is as follows:-

| Business segments | Combined Group | | | | | | | | | | | |
|---|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|--------------------------------|--------------|------------------------------|--------------|
| | Audited FYE 2012 | % | Audited FYE 2013 | % | Audited FYE 2014 | % | Audited FYE 2015 | % | Unaudited FPE 31 March 2015 | % | Audited FPE 31 March 2016 | % |
| | RM'000 | | RM'000 | | RM'000 | | RM'000 | | RM'000 | | RM'000 | |
| Commercial laundry equipment | | | | | | | | | | | | |
| - Vended commercial laundry equipment | - | - | 6,094 | 17.2 | 25,320 | 49.6 | 38,104 | 59.2 | 10,329 | 49.5 | 9,580 | 64.6 |
| - On-premise commercial laundry equipment | 2,791 | 14.6 | 1,466 | 4.2 | 1,350 | 2.7 | 1,305 | 2.1 | 1,019 | 4.9 | 34 | 0.2 |
| Sub-total | 2,791 | 14.6 | 7,560 | 21.4 | 26,670 | 52.3 | 39,409 | 61.3 | 11,348 | 54.4 | 9,614 | 64.8 |
| Medical devices | | | | | | | | | | | | |
| - Medical imaging equipment | 10,356 | 54.4 | 22,195 | 62.7 | 18,514 | 36.3 | 17,258 | 26.8 | 7,563 | 36.3 | 4,142 | 27.9 |
| - Sterilisation, disinfection and surgical room equipment | 5,916 | 31.0 | 5,624 | 15.9 | 5,843 | 11.4 | 7,668 | 11.9 | 1,936 | 9.3 | 1,085 | 7.3 |
| Sub-total | 16,272 | 85.4 | 27,819 | 78.6 | 24,357 | 47.7 | 24,926 | 38.7 | 9,499 | 45.6 | 5,227 | 35.2 |
| Total | 19,063 | 100.0 | 35,379 | 100.0 | 51,027 | 100.0 | 64,335 | 100.0 | 20,847 | 100.0 | 14,841 | 100.0 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**Note:-**

The following is the breakdown of revenue derived from the after-sales services, maintenance and repair services rendered to our customers, according to the respective business segments, as follows:-

| Business segments | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FPE 31 March 2015 | FPE 31 March 2016 |
|---|--------------|--------------|--------------|--------------|-------------------|-------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Commercial laundry equipment | 283 | 272 | 78 | 217 | 162 | 15 |
| Medical devices | 1,823 | 1,993 | 2,225 | 3,035 | 754 | 971 |
| Total | 2,106 | 2,265 | 2,303 | 3,252 | 916 | 986 |
| Percentage of revenue from services over total revenue (%) | 11.0 | 6.4 | 4.5 | 5.1 | 4.4 | 6.6 |

The following is the breakdown of revenue derived from end-users as well as agents, according to the respective business segments, as follows:-

| Business segments | FYE 2012 | | FYE 2013 | | FYE 2014 | | FYE 2015 | | FPE 31 March 2015 | | FPE 31 March 2016 | |
|-------------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|-------------------|--------------|-------------------|--------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Commercial Laundry equipment | | | | | | | | | | | | |
| - End users | 2,558 | 13.4 | 7,286 | 20.6 | 26,422 | 51.8 | 38,983 | 60.6 | 11,094 | 53.2 | 9,597 | 64.7 |
| - Agents | 233 | 1.2 | 274 | 0.8 | 248 | 0.5 | 426 | 0.7 | 254 | 1.2 | 17 | 0.1 |
| Sub-total | 2,791 | 14.6 | 7,560 | 21.4 | 26,670 | 52.3 | 39,409 | 61.3 | 11,348 | 54.4 | 9,614 | 64.8 |
| Medical Devices | | | | | | | | | | | | |
| - End users | 15,356 | 80.6 | 27,799 | 78.6 | 23,686 | 46.4 | 23,308 | 36.2 | 9,486 | 45.5 | 5,203 | 35.0 |
| - Agents | 916 | 4.8 | 20 | ~ | 671 | 1.3 | 1,618 | 2.5 | 13 | 0.1 | 24 | 0.2 |
| Sub-total | 16,272 | 85.4 | 27,819 | 78.6 | 24,357 | 47.7 | 24,926 | 38.7 | 9,499 | 45.6 | 5,227 | 35.2 |
| Total Revenue | 19,063 | 100.0 | 35,379 | 100.0 | 51,027 | 100.0 | 64,335 | 100.0 | 20,847 | 100.0 | 14,841 | 100.0 |

Note:-

~ Less than 0.01%.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(b) Analysis of revenue by subsidiaries**

The breakdown of the revenue by subsidiaries is as follows:-

| Companies | Combined Group | | | | | | | | | | | |
|--|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|--------------------------------|--------------|------------------------------|--------------|
| | Audited FYE 2012 | | Audited FYE 2013 | | Audited FYE 2014 | | Audited FYE 2015 | | Unaudited FPE 31 March 2015 | | Audited FPE 31 March 2016 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| CS Laundry | 2,791 | 14.6 | 7,560 | 21.4 | 26,675 | 52.3 | 39,409 | 61.3 | 11,348 | 54.4 | 9,614 | 64.8 |
| Best Contact | 10,401 | 54.6 | 22,195 | 62.7 | 18,515 | 36.3 | 17,258 | 26.8 | 7,563 | 36.3 | 4,142 | 27.9 |
| Maymedic | 5,917 | 31.0 | 5,624 | 15.9 | 5,844 | 11.4 | 7,668 | 11.9 | 1,936 | 9.3 | 1,085 | 7.3 |
| | 19,109 | 100.2 | 35,379 | 100.0 | 51,034 | 100.0 | 64,335 | 100.0 | 20,847 | 100.0 | 14,841 | 100.0 |
| Consolidation adjustment [^] | (46) | (0.2) | - | - | (7) | 0.00 | - | - | - | - | - | - |
| Total | 19,063 | 100.0 | 35,379 | 100.0 | 51,027 | 100.0 | 64,335 | 100.0 | 20,847 | 100.0 | 14,841 | 100.0 |

Note:-

[^] The consolidation adjustments are in relation to the elimination of inter-company transactions within our Group.

(B) COST OF SALES

The fluctuation in our overall cost of sales is in tandem with our revenue for the financial years/periods under review. Our cost of sales mainly comprises the following components:-

- (a) purchases of commercial laundry equipment, medical imaging equipment as well as sterilisation, disinfection and surgical room equipment;
- (b) purchases of related spare parts;
- (c) direct expenses such as sales tax, freight charges, custom duties, transportation charges and other miscellaneous costs incurred by our Group.

Our Group maintains a strategy of purchasing our products directly from our international brand manufacturers, thus eliminating any costs incurred through middlemen. Hence, our Group is able to lower the costs incurred to purchase these products. Our Group also have a strong technical team which are able to provide after sales maintenance to our customers. The fixed salaries of our technical staff are captured as operating expenses.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The following is the analysis of the cost of sales analysis of our Group by business segments and subsidiaries.

(a) Analysis of cost of sales by business segments

The breakdown of our cost of sales by business segments is as follows:-

| | Combined Group | | | | | | | | | | | | |
|---|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|--|--------------|--|--------------|--|
| | Audited FYE 2012 RM'000 | % | Audited FYE 2013 RM'000 | % | Audited FYE 2014 RM'000 | % | Audited FYE 2015 RM'000 | % | Unaudited FPE 31 March 2015 RM'000 | % | Audited FPE 31 March 2016 RM'000 | % | |
| Business Segments | | | | | | | | | | | | | |
| Commercial laundry equipment | | | | | | | | | | | | | |
| - Vended commercial laundry equipment | - | - | 4,462 | 17.4 | 17,008 | 50.9 | 27,896 | 61.5 | 7,311 | 48.5 | 7,041 | 73.8 | |
| - On-premise commercial laundry equipment | 1,843 | 15.7 | 976 | 3.8 | 900 | 2.7 | 948 | 2.1 | 715 | 4.7 | 14 | 0.1 | |
| Sub-total | 1,843 | 15.7 | 5,438 | 21.2 | 17,908 | 53.6 | 28,844 | 63.6 | 8,026 | 53.2 | 7,055 | 73.9 | |
| Medical devices | | | | | | | | | | | | | |
| - Medical imaging equipment | 6,822 | 58.1 | 17,120 | 66.6 | 11,995 | 36.0 | 11,352 | 25.1 | 5,454 | 36.2 | 2,079 | 21.8 | |
| - Sterilisation, disinfection and surgical room equipment | 3,073 | 26.2 | 3,135 | 12.2 | 3,458 | 10.4 | 5,112 | 11.3 | 1,597 | 10.6 | 407 | 4.3 | |
| Sub-total | 9,895 | 84.3 | 20,255 | 78.8 | 15,453 | 46.4 | 16,464 | 36.4 | 7,051 | 46.8 | 2,486 | 26.1 | |
| Total | 11,738 | 100.0 | 25,693 | 100.0 | 33,361 | 100.0 | 45,308 | 100.0 | 15,077 | 100.0 | 9,541 | 100.0 | |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(b) Analysis of cost of sales by subsidiaries**

The breakdown of our cost of sales by subsidiaries is as follows:-

| Subsidiaries | Combined Group | | | | | | | | | | | |
|---------------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|-----------------------------|--------------|---------------------------|--------------|
| | Audited FYE 2012 | | Audited FYE 2013 | | Audited FYE 2014 | | Audited FYE 2015 | | Unaudited FPE 31 March 2015 | | Audited FPE 31 March 2016 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| CS Laundry | 1,861 | 15.9 | 5,438 | 21.2 | 17,908 | 53.6 | 28,844 | 63.6 | 8,026 | 53.2 | 7,055 | 73.9 |
| Best Contact | 6,823 | 58.1 | 17,120 | 66.6 | 11,996 | 36.0 | 11,352 | 25.1 | 5,454 | 36.2 | 2,079 | 21.8 |
| Maymedic | 3,100 | 26.4 | 3,135 | 12.2 | 3,464 | 10.4 | 5,112 | 11.3 | 1,597 | 10.6 | 407 | 4.3 |
| | 11,784 | 100.4 | 25,693 | 100.0 | 33,368 | 100.0 | 45,308 | 100.0 | 15,077 | 100.0 | 9,541 | 100.0 |
| Consolidation adjustment [^] | (46) | (0.4) | - | - | (7) | 0.0 | - | - | - | - | - | - |
| Total | 11,738 | 100.0 | 25,693 | 100.0 | 33,361 | 100.0 | 45,308 | 100.0 | 15,077 | 100.0 | 9,541 | 100.0 |

Note:-

[^] The consolidation adjustments are in relation to the elimination of inter-company transactions within our Group.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(C) GP AND GP MARGIN**

Our Group's overall GP ranges from RM5.30 million to RM19.03 million between FYE 2012 to FPE 31 March 2016, resulting in GP margin of between 27.4% to 38.4%. Our Group's GP and GP margin is mainly dependent on the composition of product mix sold during the financial years/periods under review.

The following is the analysis of our GP and GP margin of our Group by business segments and subsidiaries for the financial years/period under review:-

(a) Analysis of GP and GP margin by business segments

The breakdown of GP by business segments is as follows:-

| | Combined Group | | | | | | | | | | | |
|---|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|--|--------------|--|--------------|
| | Audited FYE 2012 RM'000 | % | Audited FYE 2013 RM'000 | % | Audited FYE 2014 RM'000 | % | Audited FYE 2015 RM'000 | % | Unaudited FPE 31 March 2015 RM'000 | % | Audited FPE 31 March 2016 RM'000 | % |
| Business segments | | | | | | | | | | | | |
| Commercial laundry equipment | | | | | | | | | | | | |
| - Vended commercial laundry equipment | - | - | 1,632 | 16.8 | 8,312 | 47.1 | 10,208 | 53.7 | 3,018 | 52.3 | 2,539 | 47.9 |
| - On-premise commercial laundry equipment | 948 | 13.0 | 490 | 5.1 | 450 | 2.5 | 357 | 1.9 | 304 | 5.3 | 20 | 0.4 |
| Sub-total | 948 | 13.0 | 2,122 | 21.9 | 8,762 | 49.6 | 10,565 | 55.6 | 3,322 | 57.6 | 2,559 | 48.3 |
| Medical devices | | | | | | | | | | | | |
| - Medical imaging equipment | 3,534 | 48.2 | 5,075 | 52.4 | 6,519 | 36.9 | 5,906 | 31.0 | 2,109 | 36.5 | 2,063 | 38.9 |
| - Sterilisation, disinfection and surgical room equipment | 2,843 | 38.8 | 2,489 | 25.7 | 2,385 | 13.5 | 2,556 | 13.4 | 339 | 5.9 | 678 | 12.8 |
| Sub-total | 6,377 | 87.0 | 7,564 | 78.1 | 8,904 | 50.4 | 8,462 | 44.4 | 2,448 | 42.4 | 2,741 | 51.7 |
| Total | 7,325 | 100.0 | 9,686 | 100.0 | 17,666 | 100.0 | 19,027 | 100.0 | 5,770 | 100.0 | 5,300 | 100.0 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The breakdown of GP margin by business segments is as follows:-

| | Combined Group | | | | | | | | | | | |
|---|------------------|---|------------------|---|------------------|---|------------------|---|-----------------------------|---|---------------------------|---|
| | Audited FYE 2012 | | Audited FYE 2013 | | Audited FYE 2014 | | Audited FYE 2015 | | Unaudited FPE 31 March 2015 | | Audited FPE 31 March 2016 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Business segments | | | | | | | | | | | | |
| Commercial laundry equipment | | | | | | | | | | | | |
| - Vended commercial laundry equipment | - | | 26.8 | | 32.8 | | 26.8 | | 29.2 | | 26.5 | |
| - On-premise commercial laundry equipment | 34.0 | | 33.4 | | 33.3 | | 27.4 | | 29.8 | | 58.8 | |
| GP margin of commercial laundry equipment business segment | 34.0 | | 28.1 | | 32.9 | | 26.8 | | 29.3 | | 26.6 | |
| Medical devices | | | | | | | | | | | | |
| - Medical imaging equipment | 34.1 | | 22.9 | | 35.2 | | 34.2 | | 27.9 | | 49.8 | |
| - Sterilisation, disinfection and surgical room equipment | 48.1 | | 44.3 | | 40.8 | | 33.3 | | 17.5 | | 62.5 | |
| GP margin of medical devices business segment | 39.2 | | 27.2 | | 36.6 | | 33.9 | | 25.8 | | 52.4 | |

(b) Analysis of GP and GP margin by subsidiaries

The breakdown of GP of our Group by subsidiaries is as follows:-

| | Combined Group | | | | | | | | | | | |
|---------------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|-----------------------------|--------------|---------------------------|--------------|
| | Audited FYE 2012 | | Audited FYE 2013 | | Audited FYE 2014 | | Audited FYE 2015 | | Unaudited FPE 31 March 2015 | | Audited FPE 31 March 2016 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Subsidiaries | | | | | | | | | | | | |
| CS Laundry | 930 | 12.7 | 2,122 | 21.9 | 8,767 | 49.6 | 10,565 | 55.6 | 3,322 | 57.6 | 2,559 | 48.3 |
| Best Contact | 3,578 | 48.8 | 5,075 | 52.4 | 6,519 | 36.9 | 5,906 | 31.0 | 2,109 | 36.5 | 2,063 | 38.9 |
| Maymedic | 2,817 | 38.5 | 2,489 | 25.7 | 2,380 | 13.5 | 2,556 | 13.4 | 339 | 5.9 | 678 | 12.8 |
| Total | 7,325 | 100.0 | 9,686 | 100.0 | 17,666 | 100.0 | 19,027 | 100.0 | 5,770 | 100.0 | 5,300 | 100.0 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The breakdown of GP margin by subsidiaries is as follows:-

| | Combined Group | | | | | |
|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--|--------------------------------------|
| | Audited FYE 2012 % | Audited FYE 2013 % | Audited FYE 2014 % | Audited FYE 2015 % | Unaudited FPE 31 March 2015 % | Audited FPE 31 March 2016 % |
| Subsidiaries | | | | | | |
| CS Laundry | 33.3 | 28.1 | 32.9 | 26.8 | 29.3 | 26.6 |
| Best Contact | 34.4 | 22.9 | 35.2 | 34.2 | 27.9 | 49.8 |
| Maymedic | 47.6 | 44.3 | 40.7 | 33.3 | 17.5 | 62.5 |

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(D) OTHER OPERATING INCOME**

Other income mainly consist administrative fees received, rental income, interest income, gains from disposal of property, plant and equipment as well as gains on realised/unrealised foreign exchange.

The contribution of other operating income accounted ranges from 0.34% to 1.05% of our total revenue for FYEs 2012 to 2015 as well as for FPE 31 March 2015 and FPE 31 March 2016.

The breakdown of our other operating income is as follows:-

| Details | Combined Group | | | | | | | | | | | |
|--|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|--|--------------|--|--------------|
| | Audited FYE 2012 RM'000 | % | Audited FYE 2013 RM'000 | % | Audited FYE 2014 RM'000 | % | Audited FYE 2015 RM'000 | % | Unaudited FPE 31 March 2015 RM'000 | % | Audited FPE 31 March 2016 RM'000 | % |
| Administrative fees | - | - | 104 | 46.2 | 119 | 33.6 | 52 | 23.6 | 9 | 29.1 | - | - |
| Forfeited deposits received | - | - | - | - | - | - | 23 | 10.5 | 15 | 48.4 | - | - |
| Gain on disposal of property, plant and equipment | 9 | 6.1 | 6 | 2.7 | 106 | 29.9 | - | - | - | - | - | - |
| Gain on realised foreign exchange | 10 | 6.8 | 1 | 0.4 | - | - | 1 | 0.5 | 1 | 3.2 | 22 | 14.1 |
| Gain on unrealised foreign exchange | - | - | - | - | 41 | 11.6 | 27 | 12.3 | - | - | 124 | 79.5 |
| Interest income | 88 | 59.4 | 83 | 36.9 | 59 | 16.7 | 109 | 49.5 | 5 | 16.1 | 9 | 5.8 |
| Rental income ⁽¹⁾ | 37 | 25.0 | 23 | 10.2 | 16 | 4.5 | - | - | - | - | - | - |
| Others | 4 | 2.7 | 8 | 3.6 | 13 | 3.7 | 8 | 3.6 | 1 | 3.2 | 1 | 0.6 |
| Total | 148 | 100.0 | 225 | 100.0 | 354 | 100.0 | 220 | 100.0 | 31 | 100.0 | 156 | 100.0 |

Note:-

- (1) Rental income is mainly derived from the rental of properties to our related parties, namely STSB, FASB and CMSB located in No. 21-3, Jalan 5/152, Batu 6, Jalan Puchong, Taman Perindustrian OUG (tenanted by STSB and FASB) and No. 13-12 Jalan 13/155B, Aked Espalanad, Bukit Jalil (tenanted by CMSB).

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(E) ADMINISTRATIVE EXPENSES**

The breakdown of our other administrative expenses is as follows:-

| Details | Combined Group | | | | | | | | | | | |
|---|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|--------------------------------|--------------|------------------------------|--------------|
| | Audited FYE 2012 | | Audited FYE 2013 | | Audited FYE 2014 | | Audited FYE 2015 | | Unaudited FPE 31 March 2015 | | Audited FPE 31 March 2016 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Auditors remuneration | 19 | 0.3 | 20 | 0.3 | 32 | 0.3 | 31 | 0.3 | 8 | 0.3 | 23 | 0.8 |
| Annual dinner / Company trips | 103 | 1.6 | 50 | 0.7 | 74 | 0.7 | 8 | 0.1 | 8 | 0.3 | 57 | 1.9 |
| Bad debts written off / Impairment on trade receivables | 415 | 6.5 | 138 | 1.9 | 129 | 1.3 | - | - | - | - | - | - |
| Directors remuneration | 1,384 | 21.5 | 1,589 | 22.4 | 3,330 | 33.5 | 2,933 | 27.1 | 794 | 31.6 | 751 | 25.3 |
| Depreciation of property, plant and equipment | 529 | 8.2 | 349 | 4.9 | 523 | 5.3 | 547 | 5.0 | 119 | 4.7 | 154 | 5.2 |
| Entertainment | 56 | 0.9 | 58 | 0.8 | 68 | 0.7 | 79 | 0.7 | 28 | 1.1 | 26 | 0.9 |
| Insurance | 61 | 0.9 | 147 | 2.1 | 169 | 1.7 | 238 | 2.2 | 74 | 3.0 | 118 | 4.0 |
| Investment written-off | 200 | 3.1 | - | - | - | - | - | - | - | - | 1 | 0.0 |
| Realised loss on foreign exchange | - | - | - | - | - | - | 63 | 0.6 | - | - | 9 | 0.3 |
| Petrol, parking and tolls | 348 | 5.4 | 355 | 5.0 | 405 | 4.1 | 449 | 4.1 | 100 | 4.0 | 104 | 3.5 |
| Professional fees | 53 | 0.8 | 131 | 1.8 | 113 | 1.1 | 99 | 0.9 | 22 | 0.9 | 13 | 0.4 |
| Rental | 8 | 0.1 | 16 | 0.2 | 12 | 0.1 | 257 | 2.4 | 6 | 0.2 | 15 | 0.5 |
| Sales commission | 1 | 0.0 | 64 | 0.9 | 115 | 1.2 | 292 | 2.7 | 167 | 6.6 | 237 | 8.0 |
| Staff costs | 2,345 | 36.5 | 3,004 | 42.4 | 3,371 | 33.9 | 3,998 | 37.0 | 831 | 33.1 | 960 | 32.4 |
| Storage and warehouse charges | - | - | 5 | 0.1 | 101 | 1.0 | 236 | 2.2 | 60 | 2.4 | 31 | 1.0 |
| Travelling and accommodation | 471 | 7.3 | 509 | 7.2 | 645 | 6.5 | 603 | 5.6 | 98 | 3.9 | 161 | 5.4 |
| Upkeep of motor vehicles | 83 | 1.3 | 86 | 1.2 | 133 | 1.3 | 131 | 1.2 | 28 | 1.1 | 38 | 1.3 |
| Upkeep of office | 27 | 0.4 | 32 | 0.5 | 104 | 1.0 | 60 | 0.6 | 16 | 0.6 | 16 | 0.5 |
| Utilities | 121 | 2.0 | 152 | 2.1 | 173 | 1.8 | 196 | 1.8 | 45 | 1.8 | 52 | 1.8 |
| Others | 199 | 3.2 | 382 | 5.5 | 435 | 4.5 | 594 | 5.5 | 110 | 4.4 | 198 | 6.8 |
| Total | 6,423 | 100.0 | 7,087 | 100.0 | 9,932 | 100.0 | 10,814 | 100.0 | 2,514 | 100.0 | 2,964 | 100.0 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Our administrative expenses as a proportion of revenue is as follows:-

| Details | Combined Group | | | | | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---|---|
| | Audited FYE 2012 RM'000 | Audited FYE 2013 RM'000 | Audited FYE 2014 RM'000 | Audited FYE 2015 RM'000 | Unaudited FPE 31 March 2015 RM'000 | Audited FPE 31 March 2016 RM'000 |
| Revenue | 19,063 | 35,379 | 51,027 | 64,335 | 20,847 | 14,841 |
| Administrative expenses | 6,423 | 7,087 | 9,932 | 10,814 | 2,514 | 2,964 |
| Percentage of administrative expenses over revenue (%) | 33.7 | 20.0 | 19.5 | 16.8 | 12.1 | 20.0 |

(F) FINANCE COST

The breakdown of our finance costs is as follows:-

| Details | Combined Group | | | | | |
|------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|--|
| | Audited FYE 2012 RM'000 | Audited FYE 2013 RM'000 | Audited FYE 2014 RM'000 | Audited FYE 2015 RM'000 | Unaudited FPE 31 March 2015 RM'000 | Audited FPE 31 March 2016 RM'000 |
| Hire purchase | 28 | 31 | 97 | 73 | 21 | 21 |
| Letter of credit | 72 | 146 | 60 | 53 | 28 | 18 |
| Term loan | 140 | 125 | 128 | 142 | 34 | 48 |
| Trust receipt | 16 | 20 | 48 | 65 | - | 2 |
| Overdraft | 5 | 6 | 6 | 1 | - | - |
| Others | 10 | 8 | 12 | 28 | 4 | 1 |
| Total | 271 | 336 | 351 | 362 | 87 | 90 |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Our finance cost as a proportion of revenue is as follows:-

| Details | Combined Group | | | | | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|--|
| | Audited FYE 2012 RM'000 | Audited FYE 2013 RM'000 | Audited FYE 2014 RM'000 | Audited FYE 2015 RM'000 | Unaudited FPE 31 March 2015 RM'000 | Audited FPE 31 March 2016 RM'000 |
| Revenue | 19,063 | 35,379 | 51,027 | 64,335 | 20,847 | 14,841 |
| Finance cost | 271 | 336 | 351 | 362 | 87 | 90 |
| Percentage of finance cost over revenue (%) | 1.4 | 0.9 | 0.7 | 0.6 | 0.4 | 0.6 |

(G) PBT AND PBT MARGIN

The following table sets out our PBT and PBT margin for the financial years/ periods under review:-

| Details | Combined Group | | | | | |
|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|--|
| | Audited FYE 2012 RM'000 | Audited FYE 2013 RM'000 | Audited FYE 2014 RM'000 | Audited FYE 2015 RM'000 | Unaudited FPE 31 March 2015 RM'000 | Audited FPE 31 March 2016 RM'000 |
| PBT | 779 | 2,488 | 7,737 | 8,071 | 3,200 | 2,402 |
| PBT margin (%) | 4.1 | 7.0 | 15.2 | 12.5 | 15.3 | 16.2 |

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(H) TAXATION**

The following table sets out the comparison between the statutory tax rates and our effective tax rates for the financial years/ periods under review:-

| Details | Combined Group | | | | | |
|------------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|------------------------------|
| | Audited FYE 2012 | Audited FYE 2013 | Audited FYE 2014 | Audited FYE 2015 | Unaudited FPE 31 March 2015 | Audited FPE 31 March 2016 |
| Taxation (RM'000) | 570 | 480 | 2,114 | 1,945 | 775 | 590 |
| Statutory tax rate (%) | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 24.0 |
| Effective tax rate (%) | 73.2 | 19.3 | 27.3 | 24.1 | 24.2 | 24.6 |

For companies within our Group with a paid-up share capital of RM2.50 million or below at the beginning of the basis period for the year of assessment 2016, the income tax is calculated at the statutory rate of 19% (20% for FYE 2012 to FYE 2015 and FPE 31 March 2015) on the first RM500,000 and 24% (25% for FYE 2012 to FYE 2015 and FPE 31 March 2015) on the balance of chargeable income based on the estimated assessable profit for the financial years under review.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.3 COMMENTARIES ON PAST PERFORMANCES AND FINANCIAL RESULTS OF OUR GROUP**12.3.1 Comparison between FYE 2012 and FYE 2013****(a) Revenue**

Our Group's overall revenue increased by RM16.32 million or 85.6% from RM19.06 million in FYE 2012 to RM35.38 million in FYE 2013. For the FYE 2013, our medical imaging equipment sub-segment is our largest revenue contributor with revenue at RM22.19 million or 62.7% of our Group's total revenue, representing a growth of 114.2% compared to the FYE 2012.

Revenue contribution from the commercial laundry equipment business segment was our second largest revenue contributor amounting to RM7.56 million or 21.4% of our total revenue. Revenue from the sterilisation, disinfection and surgical room equipment sub-segment contributed 15.9% of our Group's total revenue for FYE 2013.

Commercial laundry equipment business segment

Revenue increased by RM4.77 million or 170.9% from RM2.79 million in FYE 2012 to RM7.56 million in FYE 2013. The significant increase was mainly attributed to the sales of our Huebsch and Speed Queen brands of vended commercial laundry equipment. Revenue from the sale of vended commercial laundry equipment amount to RM6.09 million representing 17.2% of our total revenue in FYE 2013.

Our vended commercial laundry equipment was mainly sold to self-service launderette operators, both individual, chain and franchise operators, who have been expanding their operations throughout Peninsular Malaysia. We had undertaken aggressive marketing and branding efforts and offered competitive pricing for Huebsch and Speed Queen brands of vended commercial laundry equipment to create better market awareness and acceptance in order to capture a larger market share in the vended commercial laundry equipment market in Malaysia. In line with the growth in vended commercial laundry equipment market, we have successfully sold a total of 362 units of Huebsch and Speed Queen brands of vended commercial laundry equipment to approximately 43 self-service launderette outlets across Malaysia during FYE 2013.

However, revenue generated from the distribution of on-premise commercial laundry equipment decreased by RM1.32 million or 47.3% from RM2.79 million during FYE 2012 to RM1.47 million during FYE 2013 as more efforts and emphasis was made to grow the vended commercial laundry equipment sub-segment.

Medical devices business segment

Revenue generated from the medical imaging equipment sub-segment grew by RM11.84 million or 114.3% from RM10.36 million during FYE 2012 to RM22.20 million during FYE 2013. The significant growth in revenue was mainly attributed to increase of the number of medical imaging equipment sold during FYE 2013, as we successfully secured several large purchase orders of Hitachi brand of medical diagnostic imaging equipment from two (2) hospitals located in Teluk Intan and Sungai Buloh amounting to RM4.90 million and RM3.37 million, respectively.

Revenue contribution from the sterilisation, disinfection and surgical room equipment sub-segment remained consistent for FYE 2013, with a marginal decrease of RM0.29 million or 4.9% from RM5.91 million to RM5.62 million in FYE 2012 due to lesser number of units of sterilisation, disinfection and surgical room equipment sold during FYE 2013.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(b) Cost of sales, GP and GP margin

Our Group's cost of sales increased by RM13.95 million or 118.8% from RM11.74 million in FYE 2012 to RM25.69 million in FYE 2013. The increase in our cost of sales was mainly attributable to the increase in revenue of approximately 85.6% for the same corresponding financial year.

Despite an increase of 85.6% in our overall revenue, our Group's GP margin had decreased from 38.4% in FYE 2012 to 27.4% in FYE 2013, due to the following factors:-

- (i) We offered more competitive pricing for the Huebsch and Speed Queen brands of vended commercial laundry equipment, to attract more purchases by customers as part of our Group's strategy to grow our market share in the vended commercial laundry equipment market in Malaysia; and
- (ii) The medical imaging equipment sub-segment had yielded lower GP margin of 22.9% as compared to 34.1% in the preceding financial year as we priced the Hitachi brand of medical diagnostic imaging equipment at a competitive pricing to secure purchase orders by several hospitals and medical centres.

(c) Other operating income

Our Group's other operating income increased by approximately RM0.08 million or 53.3% from RM0.15 million in FYE 2012 to RM0.23 million in FYE 2013. The increase in other operating income is mainly due to the receipt of administrative fees of RM0.10 million for the accounting services provided to STSB and Amirdic (companies related to our Directors and Promoters).

(d) Administrative expenses

During FYE 2013, our Group's overall administrative expenses increased by RM0.67 million or 10.4% from RM6.42 million during FYE 2012 to RM7.09 million during FYE 2013, mainly due to the following factors:-

- (i) Increase in Directors remuneration and staff cost resulting from higher performance bonus paid, in line with the improved financial results of our Group. Our staff cost had also increased as we have employed five (5) additional technical staffs as part of our efforts to grow our technical team to provide installation and after-sales services which is in line with the growth in the number of equipment sold during FYE 2013. In addition we have also employed additional two (2) sales and marketing staffs and five (5) support staffs; and
- (ii) Increase in marketing related expenses such as sales commissions, travelling and accommodation, petrol, parking and toll. This is in line with our continuous marketing and branding efforts to grow our commercial laundry equipment and medical devices business segments.

However, our depreciation and impairment for trade receivables had decreased during FYE 2013 due to the following one-off expenses in FYE 2012:-

- (i) Depreciation charges of RM0.53 million in FYE 2012, which was a result of omission of prior years' depreciation charges on the office buildings. This omission resulted in an accumulated depreciation amounting to RM0.15 million being charged in FYE 2012;

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

- (ii) Write-off of our investments in Pristine Niche amounting to RM0.20 million during FYE 2012, which has ceased business operations; and
- (iii) Bad debts written-off of RM0.42 million, which were owed by our associate company, Chief Frontier, which has ceased business operations. We have subsequently disposed our entire 22% shareholdings in Chief Frontier on 30 May 2014 for a consideration of RM484.

(e) Finance costs

Our financing costs increased by RM0.07 million or 25.9% from RM0.27 million during FYE 2012 to RM0.34 million during FYE 2013. This was mainly due to the increase trade financing facilities utilised to finance our working capital requirements in line with the increase in number of equipment sold.

(f) PBT and PBT margin

The increase in our Group's PBT by RM1.71 million from RM0.78 million in FYE 2012 to RM2.49 million in FYE 2013 was mainly contributed from the increase in overall GP generated from the medical imaging equipment segment and commercial laundry equipment segment. Despite recording a lower GP margin as a result of lower pricing of certain medical imaging equipment, the increase in revenue generated from the distribution of the medical imaging equipment and commercial laundry equipment had collectively increased our overall GP by RM2.72 million.

Despite the increase in our administrative expenses and finance cost of RM0.67 million and RM0.07 million, respectively, our Group has managed to record an increase in PBT of 68.7% from 0.78 million in FYE 2012 to RM2.49 million in FYE 2013.

Overall, the increased in our revenue and GP resulted in the increase in our Group's PBT margin from 4.1% in FYE 2012 to 7.0% in FYE 2013.

(g) Taxation

Our Group incurred a tax expense amount of RM0.57 million in FYE 2012, representing an effective tax rate of 73.2%, which was significantly higher than the statutory tax rate of 25%. This was mainly due to the following non tax deductible items:-

- (i) Additional depreciation charges amounting to RM0.15 million;
- (ii) Write-off of investment in Pristine Niche amounting to RM0.20 million; and
- (iii) Write-off of bad debts owing from Chief Frontier amounting to RM0.42 million.

The effective tax rate for FYE 2013 of 19.3% was lower than the statutory tax rate due to the scale rate of taxation where income tax on the first RM0.50 million are calculated at the statutory rate of 20%. In addition, the lower tax rate for FYE 2013 is also due to the over provision in prior financial year amounting to RM0.12 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**12.3.2 Comparison between FYE 2013 and FYE 2014****(a) Revenue**

Our Group's overall revenue increased by RM15.65 million or 44.2% from RM35.38 million in FYE 2013 to RM51.03 million in FYE 2014. For the FYE 2014, our commercial laundry equipment business segment became our largest revenue contributor with revenue contribution of RM26.67 million or 52.3% of our total revenue, representing growth of 252.8% as compared to FYE 2013. Revenue contribution from the medical imaging equipment sub-segment was our second largest revenue contributor of 36.3% or RM18.51 million, followed by revenue contribution from sterilisation, disinfection and surgical room equipment sub-segment of 11.4% for FYE 2014.

Commercial laundry equipment business segment

Revenue from our commercial laundry equipment business segment increased by RM19.11 million or 252.8% from RM7.56 million in FYE 2013 to RM26.67 million in FYE 2014. The significant increase in revenue contribution was mainly attributed by the sales of vended commercial laundry equipment amounting to RM25.32 million during FYE 2014.

Our Group's continuous marketing efforts since FYE 2013 to create better awareness and increasing market acceptance by the self-service launderette operators for the Speed Queen brand of vended commercial laundry equipment (both washers and dryers), has enabled our Group to increase our distribution of the Speed Queen brand of vended commercial laundry equipment. We recorded an increase in the overall number of units of Speed Queen brand of vended commercial laundry equipment (washers and dryers) sold of 833 units Speed Queen brand of vended commercial laundry equipment during FYE 2014 as compared to only seventy (70) units in FYE 2013. The unique and additional features of the Speed Queen brand of vended commercial laundry equipment coupled with the good maintenance and after-sales service provided by our technical team has contributed to the market acceptance of the Speed Queen brand of vended commercial laundry equipment by self-service launderette owners across Peninsular Malaysia.

Self-service launderette outlets in Malaysia continued to grow in tandem with the growing investment in vended commercial laundry segment in Malaysia during FYE 2014. According to the IMR Report, it is estimated that the number of self-service launderettes increased from less than 150 in 2013 to around 900 in 2015. Our Group has distributed vended commercial laundry equipment to approximately 183 self-service launderette outlets in Malaysia during FYE 2014. Overall, we sold a total of 1,454 units of vended commercial laundry equipment in FYE 2014 as compared to 362 units of vended commercial laundry equipment in FYE 2013.

Revenue generated from the distribution of on-premise commercial laundry equipment decreased marginally by RM0.12 million or 8.2% from RM1.47 million during FYE 2013 to RM1.35 million during FYE 2014. The decrease was attributable to our management's continuous emphasis and efforts to promote the vended commercial laundry equipment in view of the growing vended commercial laundry in the launderette segment in Malaysia.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**Medical devices business segment**

Revenue generated from the medical imaging equipment sub-segment decreased by RM3.69 million or 16.6% from RM22.20 million during FYE 2013 to RM18.51 million during FYE 2014. The decrease in revenue contribution was attributable to lesser number of medical imaging equipment units sold. Our Group distributed a total of twenty four (24) units of medical imaging equipment in FYE 2013 as compared to eighteen (18) units in FYE 2014. Our Group has received a large order of eight (8) units of medical diagnostic imaging equipment from a hospital located in Teluk Intan, Perak which did not recur in FYE 2014.

Revenue from sterilisation, disinfection and surgical room equipment sub-segment remains consistent at around the range of RM5.0 million – RM6.0 million in FYE 2013 and 2014.

(b) Cost of sales, GP and GP margin

Our Group's cost of sales increased by RM7.67 million or 29.9% from RM25.69 million in FYE 2013 to RM33.36 million in FYE 2014. The increase in our cost of sales was mainly attributable to the increased in our revenue of approximately 44.2% during the financial year under review. However, the overall percentage increase in cost of sales is lower than the percentage increase in our revenue levels which resulted in our Group's GP margin to increase from 27.4% in FYE 2013 to 34.6% in FYE 2014. This was mainly due to the following factors:-

- (i) Our continuous marketing efforts to create better awareness and market acceptance of our Speed Queen brand of vended commercial laundry equipment. This resulted in higher sales mix of Speed Queen brand of vended commercial laundry equipment which has a better GP margin. Overall, our GP margin from vended commercial laundry equipment has increased to 32.8% in FYE 2014 from 26.8% in the previous financial year;
- (ii) GP margin from medical imaging equipment sub-segment has normalised back to our average GP margin range of 31.0% to 37.0% during FYE 2014 as during FYE 2013, we had undertaken a strategy of offering our products at a more competitive pricing to secure orders from certain customers; and
- (iii) Bulk discount ranging from 5% to 12% was given by our international brand manufacturers for bulk purchases of vended commercial laundry equipment.

(c) Other operating income

Our Group's other operating income increased by approximately RM0.12 million or 52.2% from RM0.23 million in FYE 2013 to RM0.35 million in FYE 2014. This was mainly contributed by the one-off gain on disposal of three (3) motor vehicles amounting to RM0.10 million.

(d) Administrative expenses

During FYE 2014, our Group's overall administrative expenses increased by RM2.84 million or 40.0% from RM7.09 million in FYE 2013 to RM9.93 million in FYE 2014 mainly due to the following factors:-

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

- (i) Increase in Director's remuneration and staff cost resulting from higher performance bonus being paid in conjunction with the improved financial results of our Group. Our staff cost had also increased due to a further additional five (5) technical staffs being employed. Our Group have a total of thirty (30) technical staff in FYE 2014;
- (ii) Increase in marketing related expenses such as sales commission, travelling and accommodation, petrol, parking and toll in tandem with the overall improved revenue generated by our Group, as we strive to expand our commercial laundry equipment and medical imaging equipment sub-segments;
- (iii) Increase in depreciation expenses by 48.6% from RM0.35 million during FYE 2013 to RM0.52 million during FYE 2014 and upkeep expenses of motor vehicles due to additional motor vehicles purchased; and
- (iv) Increase in storage and warehouse charges of RM0.10 million as a result of rental of additional warehouse space mainly for the storage of our commercial laundry equipment.

(e) Finance costs

Our financing costs increased marginally by RM0.01 million or 2.9% from RM0.34 million during FYE 2013 to RM0.35 million during FYE 2014 mainly due to the increase in hire purchase facilities resulting from the purchase of new motor vehicles amounting to RM1.22 million for the senior management and staffs for our business operations.

(f) PBT and PBT margin

Our overall Group's PBT increased by RM5.25 million or 210.8% from RM2.49 million in FYE 2013 to RM7.74 million in FYE 2014 was mainly contributed by the increase in revenue and GP margin of our commercial laundry equipment segment which increased our overall GP by RM6.64 million.

The increase in our Group's PBT was marginally lowered down by the increase in our operating expense by RM2.84 million during the financial year. Overall, our Group recorded a PBT margin of 15.2% as compared to 7.0% in FYE 2013.

(g) Taxation

The effective tax rate for FYE 2014 of 27.3% was higher than the statutory tax rate due to certain expenses not deductible for tax purposes which includes amongst others, depreciation, entertainment and non-deductible professional fees.

12.3.3 Comparison between FYE 2014 and FYE 2015

(a) Revenue

Our Group's overall revenue increased by RM13.31 million or 26.1% from RM51.03 million in FYE 2014 to RM64.34 million in FYE 2015. For the FYE 2015, our commercial laundry equipment business segment continue to be our largest revenue contributor with revenue contribution of RM39.41 million or 61.3% of our total revenue, representing growth of 47.8% as compared to FYE 2014. Revenue contribution from the medical imaging equipment sub-segment was our second largest revenue contributor of 26.8% or RM17.26 million, followed by revenue contribution from sterilisation, disinfection and surgical room equipment sub-segment of 11.9% for FYE 2015.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

Commercial laundry equipment business segment

Revenue further increased by RM12.74 million or 47.8% from RM26.67 million in FYE 2014 to RM39.41 million in FYE 2015. The increase in revenue contribution was mainly attributed to the continuing growth in sales of vended commercial laundry equipment as the number of launderette outlets in Malaysia continued to grow.

Revenue generated from the distribution of vended commercial laundry equipment amounted to RM38.10 million, representing 59.2% of our total revenue for FYE 2015. We distributed a total of 1,970 units of Speed Queen and Huebsch brand of vended commercial laundry equipment to approximately 496 self-service launderette outlets in Malaysia during FYE 2015 as compared to 1,454 units of vended commercial laundry equipment to approximately one hundred and eighty three (183) self-service launderette outlets in Malaysia during FYE 2014.

Revenue generated from the distribution of on-premise commercial laundry equipment remained at the ranges of RM1.31 million to RM1.35 million for both FYE 2014 and FYE 2015.

Medical devices business segment

Revenue generated from the medical imaging equipment sub-segment decreased by RM1.25 million or 6.8% from RM18.51 million during FYE 2014 to RM17.26 million during FYE 2015. Although there was an increase in number of units sold from eighteen (18) units in FYE 2014 to twenty three (23) units in FYE 2015, but due to the different product mix which are dependent on our clients' requirement, the units sold in FYE 2015 carried lesser sales value per unit and hence resulted a lower total revenue in FYE 2015. The sale of MRI system is one of our higher value medical imaging equipment and our Group had distributed three (3) units of MRI system in FYE 2014 as compared to only one (1) unit of MRI system in FYE 2015. This has resulted in our lower sales value per unit in FYE 2015.

Revenue from sterilisation, disinfection and surgical room equipment sub-segment increased by RM1.83 million or 31.3% from RM5.84 million during FYE 2014 to RM7.67 million during FYE 2015 mainly due to the increase in number of units sold to our existing customers for sterilisation, disinfection and surgical room equipment from forty one (41) units in FYE 2014 to one hundred and ninety six (196) units in FYE 2015.

(b) Cost of sales, GP and GP margin

Our Group's cost of sales increased by RM11.95 million or 35.8% from RM33.36 million in FYE 2014 to RM45.31 million in FYE 2015. The increase in our cost of sales was mainly attributable to the increased in our revenue of approximately 26.1% during the financial year under review.

Our Group's overall GP have increased by RM1.36 million or approximately 7.7% from RM17.67 million in FYE 2014 to RM19.03 million in FYE 2015 mainly due to higher GP from the distribution of commercial laundry equipment business segment.

Despite the increase in our GP, our overall GP margin decrease from 34.6% in FYE 2014 to 29.6% in FYE 2015. The decrease in our overall GP margin is mainly due to the increase in cost of purchases of our equipment as a result of the weakening of RM against the USD by an average of approximately 19.4% during FYE 2015. Despite the increase in cost of purchases, we were unable to transfer the additional cost to our customers immediately in order to remain competitive.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**(c) Other operating income**

Our Group's other operating income decreased by approximately RM0.13 million or 37.1% from RM0.35 million in FYE 2014 to RM0.22 million in FYE 2015. This was mainly attributable to the following reasons: -

- (i) a one-off gain on the disposal of three (3) units of motor vehicles amounting to RM0.11 million during FYE 2014 which was not recurring during FYE 2015; and
- (ii) administrative fees received has reduced from RM0.12 million in FYE 2014 to RM0.05 million in FYE 2015 as our Group has ceased providing administrative and accountancy services to our related parties during the fourth quarter of 2015.

(d) Administrative expenses

Our Group's overall administrative expenses increased by RM0.88 million or 8.9% from RM9.93 million in FYE 2014 to RM10.81 million in FYE 2015 mainly due to the following factors:-

- (i) Increase in staff cost of approximately RM0.63 million mainly due to higher performance bonus and incentives paid to staff in conjunction with the improved financial results of our Group during FYE 2015;
- (ii) Increase in staff cost is also a result of recruitment of an additional nine (9) support staff;
- (iii) Increase in marketing related expenses such as sales commission, petrol, parking and toll in tandem with the overall improved revenue generated by our Group; and
- (iv) Increase in rental charges of RM0.25 million mainly due to renting of billboards located at the highways within Kuala Lumpur, Johor Bahru, Penang and Kuantan for advertisement purposes.

(e) Finance costs

Our financing costs increased marginally by RM0.01 million or 2.9% from RM0.35 million during FYE 2014 to RM0.36 million during FYE 2015 mainly due to the increase in the usage of trust receipt facilities for the purpose of financing our working capital purposes.

(f) PBT and PBT margin

Our Group's PBT increased by RM0.33 million or 4.3% from RM7.74 million in FYE 2014 to RM8.07 million in FYE 2015. The increase in PBT was mainly contributed by the increase in GP from our commercial laundry equipment segment which contributed to the increase in our overall GP by RM1.80 million.

However, our Group recorded a lower PBT margin of 12.5% in FYE 2015 as compared to PBT margin of 15.2% in FYE 2014 mainly due to the decrease in our Group's overall GP margin of 29.6% during FYE 2015 as compared to a GP margin of 34.6% in FYE 2014. Nevertheless, the decrease in our PBT margin of 2.7% was lesser as compared to the decrease in our GP margin of 5.0%, due to the percentage of administrative expenses over our total revenue of 16.8% in FYE 2015 as compared to 19.5% in FYE 2014.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(g) Taxation

The effective tax rate for FYE 2015 of 24.1% is lower than the statutory tax rate of 25.0% mainly due to the over provision of taxation in prior financial year amounting to RM0.15 million.

12.3.4 Comparison between FPE 31 March 2015 and FPE 31 March 2016

(a) Revenue

Our Group's overall revenue decreased by RM6.01 million or 28.8% from RM20.85 million in FPE 31 March 2015 to RM14.84 million in FPE 31 March 2016. During FPE 31 March 2016, our commercial laundry equipment business segment remained our largest revenue contributor with revenue contribution of RM9.61 million or 64.8% of our Group's total revenue. Revenue from medical imaging equipment sub-segment contributed 27.9% or RM4.14 million, while our sterilisation, disinfection and surgical room equipment sub-segment contributed 7.3% of our total revenue for FPE 31 March 2016.

Commercial laundry equipment business segment

Revenue generated from the commercial laundry equipment business segment decreased by approximately RM1.74 million or 15.3% from RM11.35 million in FPE 31 March 2015 to RM9.61 million in FPE 31 March 2016. The decrease in revenue contribution was attributed by the decrease in unit sales of vended commercial laundry equipment amounting to RM0.75 million and decrease in unit sales of on-premise commercial laundry equipment by RM0.99 million during FPE 31 March 2016.

During FPE 31 March 2016, we have sold lesser units of Huebsch brand vended commercial laundry equipment (washers and dryers), which has decreased from one hundred and seventy (170) units sold during FPE 31 March 2015 to only seven (7) units sold during FPE 31 March 2016. The significant decrease in the number of units of Huebsch brand of vended commercial laundry equipment sold was mainly due to our Group's continuous efforts in focusing in promoting the distribution of Speed Queen brand of vended commercial laundry equipment and reduce the distribution for Huebsch brand of vended commercial laundry equipment. The number of units of Speed Queen brand of vended commercial laundry equipment sold has increased from three hundred seventy nine (379) units sold during FPE 31 March 2015 to four hundred forty three (443) units sold during FPE 31 March 2016. We expect that our continuous marketing and promotional efforts to promote the Speed Queen brand of vended commercial laundry equipment would in turn provide growth and increase in revenue contribution for our Group, thus increasing our earnings in the long run.

The decrease in revenue generated from the distribution of on-premise commercial laundry equipment by RM0.99 million during FPE 31 March 2016 was mainly due to the reduction in distribution for Huebsch brand of on-premise commercial laundry equipment which reduced from approximately RM0.06 million in FPE 31 March 2015 as compared to approximately RM0.03 million in FPE 31 March 2016 as well as a one-off sales of flatwork ironers and sheet folders to a resort located in Langkawi, Kedah amounting to RM0.75 million in FPE 31 March 2015 which did not recur in FPE 31 March 2016.

Medical devices business segment

Revenue generated from the medical imaging equipment sub-segment decreased by approximately RM3.42 million or 45.2% from RM7.56 million in FPE 31 March 2015 to RM4.14 million in FPE 31 March 2016. The decrease in revenue contribution was

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

attributable to lesser number of medical imaging equipment units sold. Our Group had distributed a total of eleven (11) units of medical imaging equipment mainly to nine (9) private hospitals in FPE 31 March 2015 as compared to only three (3) units to three (3) private hospitals in FPE 31 March 2016.

Revenue generated from the sterilisation, disinfection and surgical room equipment sub-segment decreased by approximately RM0.85 million or 43.8% from RM1.94 million in FPE 31 March 2015 to RM1.09 million in FPE 31 March 2016 mainly due to the decrease in number of units sold for sterilisation, disinfection and surgical room equipment from fifteen (15) units distributed to eleven (11) private hospitals, three (3) government hospitals and one (1) clinic in FPE 31 March 2015 as compared to ten (10) units distributed to eight (8) private hospitals in FPE 31 March 2016. Based on the feedback from our customers, they have opted to make upfront purchases of medical devices during FPE 31 March 2015 prior to the implementation of the Goods and Services Tax on 1 April 2015, hence this resulted in a significant increase to number of units of medical devices sold during FPE 31 March 2015.

(b) Cost of sales, GP and GP margin

Our Group's cost of sales decreased by approximately RM5.54 million or 36.7% from RM15.08 million in FPE 31 March 2015 to RM9.54 million in FPE 31 March 2016. The decrease in our cost of sales was mainly attributable to the decreased in our revenue of approximately 28.8% during the financial period under review.

Our Group's GP has also decreased by approximately RM0.47 million or 8.2% from RM5.77 million in FPE 31 March 2015 to RM5.30 million in FPE 31 March 2016. The overall decrease in our GP was mainly due to lower GP contribution from our vended commercial laundry equipment which decreased by approximately RM0.48 million from RM3.02 million in FPE 31 March 2015 to RM2.54 million in FPE 31 March 2016 as a result of lower revenue contribution from the vended commercial laundry equipment sub-segment.

The increase in our overall GP margin is mainly due to higher GP margin from our medical devices business segment which increased from 25.8% in FPE 31 March 2015 to 52.4% in FPE 31 March 2016. This was mainly due to the following factors:-

- (i) Higher revenue derived from after-sales services, maintenance and repair services from our medical devices business segment which increased from RM0.75 million in FPE 31 March 2015 to RM0.97 million in FPE 31 March 2016. These services have a higher GP margin as the main cost to provide these services are the fixed salary of our technician team which is captured as staff cost in administrative expenses; and
- (ii) Revenue from testing and commissioning services⁽ⁱ⁾ provided to our customers amounting to approximately RM0.19 million during FPE 31 March 2016 was in relation to certain sterilisation, disinfection and surgical room equipment that was delivered in FYE 2015. However, the testing and commissioning services of such equipment was only recognised during FPE 31 March 2016 as it was only performed when the said medical centre was completed during FPE 31 March 2016. Similar to the above, testing and commissioning services has a higher GP margin as the cost to provide these services are the fixed salary of our technician team which is captured as staff cost in administrative expenses.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**Note:-**

- (i) The testing and commissioning services provided to our customers does not fall under after-sales services, maintenance and repair services. Testing and commissioning revenue is included into the total selling price of our medical devices to our customers. Such revenue is recognised after the delivery of the equipment to our customer and the completion of the testing and commissioning services.

Nevertheless, the increase in GP margin from medical devices business segment was however slightly off-set by the decrease in GP margin from our commercial laundry equipment business segment from 29.3% in FPE 31 March 2015 to 26.6% in FPE 31 March 2016. The decrease in GP margin was mainly due to the depreciation in RM against USD and EUR which has resulted in higher cost of purchases.

(c) Other operating income

Our Group's other operating income increased by approximately RM0.13 million or 433.3% from RM0.03 million in FPE 31 March 2015 to RM0.16 million in FPE 31 March 2016. This was mainly contributed by the unrealised gain and realised gain on foreign exchange from foreign purchases amounting to RM0.12 million and RM0.02 million respectively as our RM rebounded slightly towards the end of FPE 31 March 2016.

(d) Administrative expenses

Our Group's overall administrative expenses increased by RM0.45 million or 17.9% from RM2.51 million in FPE 31 March 2015 to RM2.96 million in FPE 31 March 2016 mainly due to the following factors:-

- (i) Increase in staff cost of RM0.13 million was mainly due to the recruitment of additional eight (8) additional support staff;
- (ii) Increase in sales commission of RM0.07 million mainly due to under provision of sales commission by RM0.12 million in FYE 2015 which was fully paid during FPE 31 March 2016; and
- (iii) Increase in insurance expenses of RM0.04 million as our Group has increased the sum insured for the comprehensive insurance and insurance for commercial laundry equipment against all risks, which resulted to higher insurance premium paid.

(e) Finance costs

Our financing costs remained at approximately RM0.09 million for both FPE 31 March 2015 and FPE 31 March 2016.

Our financing cost for letter of credit reduced by 35.7% during FPE 31 March 2016 due to lesser utilisation of letter of credit as a result of lower frequency in purchases made from our suppliers.

However, the financing cost for term loan has increased by 41.2% in FPE 31 March 2016 due to additional term loan drawdown towards the end of FYE 2015 for the purchase of a property located at Seri Kembangan, Selangor.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(f) PBT and PBT margin

Our Group's overall PBT decreased by approximately RM0.80 million or 25.0% from RM3.20 million in FPE 31 March 2015 to RM2.40 million in FPE 31 March 2016 was due to the decrease in revenue generated from our medical devices business segment by approximately RM4.27 million and commercial laundry equipment business segments by approximately RM1.73 million which has decreased our overall GP by RM0.47 million.

Our Group's PBT was further lowered down by the increase in our administrative expenses by RM0.45 million during the financial period. Nevertheless, our Group recorded a higher PBT margin of 16.2% as compared to 15.3% in FPE 31 March 2015 in line with the higher GP margin recorded for FPE 31 March 2016 at 35.7% as compared to 27.7% in FPE 31 March 2015.

(g) Taxation

The effective tax rate for FPE 31 March 2016 of 24.6% is marginally higher than the statutory tax rate of 24.0% due to certain expenses not deductible for tax purposes which includes amongst others, depreciation, entertainment and non-deductible professional fees.

12.4 SIGNIFICANT FACTORS AND TRENDS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

The profitability of our business is primarily dependent on the types of products that our Group sells and its selling prices and the supply and cost of sales of the products sold. The selling prices of our products are determined based on market forces of supply and demand.

Other factors that can affect our financial results include:-

- (a) Market conditions of the commercial laundry equipment and medical devices industries in Malaysia;
- (b) Our ability to stay competitive and maintain our market share;
- (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 conditions in Malaysia which may materially and adversely affect the business, operations and financial performance of our Group;
- (e) Dependability on 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 and consumables 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 and medical devices industries;
- (h) Ability to pass on higher cost of goods sold to our customers due to the fluctuation of the market prices of our products; and

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

- (i) The potential effects of adverse or favourable interest rate fluctuations which may affect our Group's profitability given that all of our Group's borrowings are interest-bearing.

12.4.1 Impact from foreign exchange, interest rates, commodity prices and inflation

(a) Impact from foreign currency exchange rates

A significant proportion of our purchases are transacted in foreign currencies such as the USD and EUR, whilst our revenues are mainly denominated in RM. Hence, our Group's GP margin is directly affected by the foreign currencies exchange rate fluctuation. The following is our Group's breakdown of purchases made during the FYE 2012, FYE 2013, FYE 2014, FYE 2015 and FPE 31 March 2016:-

| | FYE 2012 | | FYE 2013 | | FYE 2014 | | FYE 2015 | | FPE 31 March 2016 | |
|---|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|-------------------|--------------|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Purchases transacted in foreign currencies (mainly USD and EUR) | 7,109 | 59.6 | 21,226 | 72.2 | 26,641 | 75.2 | 36,410 | 75.2 | 7,612 | 81.8 |
| Purchases transacted in RM | 4,819 | 40.4 | 8,170 | 27.8 | 8,774 | 24.8 | 12,035 | 24.8 | 1,694 | 18.2 |
| Total purchases | 11,928 | 100.0 | 29,396 | 100.0 | 35,415 | 100.0 | 48,445 | 100.0 | 9,306 | 100.0 |

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 our 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.

At present, we do not use any financial instruments to hedge our exposure against transactions in foreign currencies. However, we will continue 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.

(b) Impact from interest rates

Our Group's gearing stands at 0.28 times⁽¹⁾ as at 31 March 2016 based on the combined statement of financial position and all of our borrowings which are interest bearing. 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 years/periods under review, our financial results were not adversely affected by interest rate fluctuations.

Note:-

- (1) Our Group's gearing based on the pro forma consolidated statements of financial position after the Public Issue and utilisation proceeds is 0.17 times. Please refer to Section 11 of the Prospectus for further details.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

(c) Impact from commodity prices

During the financial years/ periods under review, commodity prices fluctuations did not affect our Group.

(d) Impact of inflation

Our Group's financial performance during the financial years/ periods 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. However, there is no assurance that our business will not be adversely affected by the impact of inflation in the future.

12.4.2 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 of the political, economic and regulatory front in Malaysia. Amongst the political, economic and regulatory factors are 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 with could materially and unfavourable affect the financial position and business prospects of our Group.

Notwithstanding the above, we have not experienced any adverse political, economic and regulatory changes which have had a material adverse impact on our business operations in the past. However, there can be no assurance that adverse political, economic and regulatory changes, which are beyond our control, will not materially affect our Group's businesses in the future.

12.4.3 Exceptional and extraordinary items

There were no exceptional and extraordinary items for financial years/ periods under review.

12.4.4 Product warranties

To date, we have not provided for any warranty and sales return claims for our products in our financial statements. We will only make provision for warranty claims and sales return when it is probable that we will be required to settle the warranty claims or sales return and when a reliable estimate can be made of the amount of the warranty claims or sales return.

Nevertheless, there can be no assurance that there will not be any substantial claims relating to our products in the future which could have a material adverse impact on our financial performance.

12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working Capital

Our business growth over the financial years and financial period under review have been financed through a combination of internally generated funds and bank borrowings/ trade financing from financial institutions.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

As at 31 March 2016, our Group has cash and cash equivalents of approximately RM8.65 million including fixed deposits of RM5.09 million which have been pledged for bank facilities granted to our Group (excluding bank overdraft of RM0.38 million).

As at the LPD, we have unutilised banking facilities totalling RM9.39 million.

Based on the pro forma consolidated statements of financial position of our Group as at 31 March 2016 (after the Acquisitions but before our Public Issue), our Group's net asset position stood at RM19.31 million and at a gearing level of 0.28 times. Our gearing level after the Public Issue and utilisation of proceeds stands at 0.17 times.

Our Directors are confident that after taking into consideration the gearing level and cash flow position as well as the banking facilities currently available to our Group, our Group has sufficient working capital for our existing and foreseeable requirements over the period of twelve (12) months from the date of this Prospectus.

12.5.2 Cash flow summary

The following table sets out the summary of the combined statement of cash flows for the financial years/ period under review, which have been prepared for illustrative purposes only based on the assumption that our Group's structure had been in existence throughout the financial years/ period under review, but prior to the Public Issue and the utilisation of proceeds.

| | Combined Group | | | | |
|---|-----------------------|---------------------|---------------------|---------------------|----------------------------------|
| | Audited | | | | |
| | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | FPE 31 March 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net cash from operating activities | 27 | 2,529 | 3,641 | 3,031 | 831 |
| Net cash used in investing activities | (84) | (130) | (592) | (2,105) | (37) |
| Net cash used in financing activities | (337) | (258) | (1,225) | (1,484) | (209) |
| Net (decrease)/increase in cash and cash equivalents | (394) | 2,141 | 1,824 | (558) | 585 |
| Cash and cash equivalents at beginning of the financial years | 3,456 | 3,062 | 5,203 | 7,027 | 6,469 |
| Cash and cash equivalents at the end of the financial years | 3,062 | 5,203 | 7,027 | 6,469 | 7,054 |
| Cash and cash equivalents at the end of the financial years comprise:- | | | | | |
| Cash and bank balances | 3,062 | 5,203 | 7,027 | 6,710 | 3,931 |
| Fixed deposits with licensed bank | 2,774 | 2,797 | 2,079 | 1,548 | 5,093 |
| Less: Bank overdrafts | - | - | - | (241) | (377) |
| | 5,836 | 8,000 | 9,106 | 8,017 | 8,647 |
| Less: Fixed deposit pledged to licensed bank | (2,774) | (2,797) | (2,079) | (1,548) | (1,593) |
| | 3,062 | 5,203 | 7,027 | 6,469 | 7,054 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**Cash flows from operating activities****FYE 2012**

Net cash generated from operating activities of RM0.03 million were derived from operating profit before working capital changes of RM2.10 million adjusted for net working capital outflow of RM1.40 million and the net outflow of tax and interest paid amounting to RM0.67 million.

FYE 2013

The increase in our Group's operating profit before working capital changes from RM2.09 million in FYE 2012 to RM3.22 million in FYE 2013 was mainly due to a higher PBT position which increased by RM1.71 million. After accounting for the following key items below, our Group's net cash from operating activities amounts to RM2.53 million:-

- (i) Increase in inventories by RM3.70 million due to higher stock level of vended commercial laundry equipment and medical imaging equipment held in line with the increased in number of orders from customers;
- (ii) Decrease in trade receivables by RM1.32 million as our Group ventured in to the vended commercial laundry equipment business segment which generally have a shorter collection period as compared to the our medical devices; and
- (iii) Decrease in the net amount owing by Directors by RM1.63 million due to repayment from Directors.

FYE 2014

Our Group's operating profit before working capital changes further increased to RM8.58 million due to the increased in our PBT by RM5.25 million. After accounting for the following key items below, our Group's net cash from operating activities amounts to RM3.64 million:-

- (i) Increase in inventories by RM2.05 million due to higher stock level of vended commercial laundry equipment held in line with the increased in number of orders from customers;
- (ii) Increase in trade receivables by RM2.85 million mainly due to the increase in our Group's revenue. Our overall trade receivables turnover days has also increased from 45 days in FYE 2013 to 51 days; and
- (iii) Decrease in trade payables by RM1.38 million due to prompt payment.

FYE 2015

Our Group's operating profit before working capital changes further increased to RM8.84 million due to the increased in our PBT by RM0.33 million. After accounting for the following key items below, our Group's net cash from operating activities amounts to RM3.03 million:-

- (i) Increase in inventories by RM3.47 million due to higher stock level of vended commercial laundry equipment held in line with the increase in number of orders from customers;
- (ii) Decrease in other receivables by RM1.56 million mainly due to decrease in deposits paid to suppliers for the purchase of commercial laundry equipment as we have lesser outstanding orders from five (5) suppliers as at 31 December 2015 as compared to six (6) suppliers as at 31 December 2014. Such deposits are recorded as prepayments and once these

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

suppliers have delivered the products to us, these deposits will be reclassified as payment towards these purchases and recognised as our cost of goods sold; and

- (iii) Decrease in other payables by RM1.48 million mainly due to decrease in deposits received from customers for the sales of commercial laundry equipment as we have lesser outstanding orders to be delivered to forty-six (46) customers as at 31 December 2015 as compared to fifty (50) customers as at 31 December 2014. Such deposits are recorded as deposits received from customers and once these products have been delivered to our customers, such deposits shall be reclassified as payment towards sales and recognised as our revenue.

FPE 31 March 2016

Our Group's operating profit before working capital changes amounts to RM2.51 million as at FPE 31 March 2016. After accounting for the following key items below, our Group's net cash from operating activities amounts to RM0.83 million:-

- (i) Decrease in trade payables by RM1.26 million due to prompt payment;
- (ii) Decrease in inventories by RM0.57 million mainly due to lower stock holding level for Huesbch brand of vended commercial laundry equipment and on-premise laundry equipment; and
- (iii) Decrease in other payables by RM0.74 million mainly due to the decrease in deposits received from customers for the sales of commercial laundry equipment in line with the reduction in revenue contribution from commercial laundry equipment business segment.

Cash flow used in investing activities

FYE 2012

The net cash used in investing activities of RM0.08 million in FYE 2012 was mainly due to the purchase of computer equipment amounting to RM0.05 million and the net cash outflow arising from the purchase of one (1) unit of motor vehicle amounting to RM0.02 million after taking into consideration the disposal of one (1) unit of motor vehicle.

FYE 2013

The net cash used in investing activities of RM0.13 million in FYE 2013 was mainly due to payment made to purchase of two (2) units of motor vehicles used for our daily business operations amounting to RM0.12 million.

FYE 2014

The net cash used in investing activities of approximately RM0.59 million in FYE 2014 was mainly due to the payment made amounting to RM0.82 million for purchase of six (6) motor vehicles to be used by our Directors and staff for marketing purposes as well as disposal on three (3) units of motor vehicles amounting to RM0.23 million.

FYE 2015

The net cash used in investing activities of approximately RM2.11 million was mainly due to the payments made for the purchase of the following:-

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

- (i) a factory unit located at Taman Perindustrian Putra Permai, Seri Kembangan amounting to RM1.97 million; and
- (ii) down payment paid for the purchase of three (3) motor vehicles used in our business operations.

The net cash used in investing activities were set off by the proceeds from the disposal of a subsidiary company amounting to RM0.26 million.

FPE 31 March 2016

The net cash from investing activities of approximately RM0.04 million was mainly due to the purchase of computers, office equipments, furniture and fittings for our offices.

Cash flow used in financing activities**FYE 2012**

Our Group's net cash used in financing activities of approximately RM0.34 million in FYE 2012 were due to repayment of hire purchase payables and increased in fixed deposits pledged with financial institutions amounting to approximately RM0.19 million and RM0.61 million respectively. The net cash used in financing activities was set off by the increased in trade line facilities drawdown of approximately RM0.46 million.

FYE 2013

The net cash used in financing activities was approximately RM0.26 million due to the repayment of hire purchase payables and increase in fixed deposits pledged amounting to approximately RM0.15 million and RM0.02 million, respectively. However, the net cash used in financing activities was set off by an increase in banking facilities drawdown of approximately RM0.51 million. Our Group also declared and paid dividends of RM0.60 million for FYE 2013.

FYE 2014

The net cash used in financing activities of approximately RM1.22 million in FYE 2014 were mainly due to repayment of hire purchase payables and dividends paid amounting to RM0.41 million and RM1.70 million respectively. The net cash used in financing activities were set off by the increased in banking facilities amounting to RM0.17 million and released of fixed deposit pledged by RM0.72 million.

FYE 2015

The net cash used in financing activities of approximately RM1.48 million in FYE 2015 were mainly due to repayment of hire purchase payables and dividends paid amounting to RM0.32 million and RM2.18 million respectively. The net cash used in financing activities were set off by the drawdown of banking facilities amounting to RM0.49 million and release of fixed deposit pledged by RM0.53 million.

FPE 31 March 2016

The net cash used in financing activities of approximately RM0.21 million in FPE 31 March 2016 were mainly due to repayment of hire purchase liabilities and bank borrowings.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.5.3 Borrowings

As at 31 March 2016, we had a total outstanding borrowing amounting to RM5.50 million, details of which are set out below:-

| | Purposes | Securities | Combined Group FPE 31 March 2016 RM'000 |
|--|--|--|--|
| Interest-bearing short-term borrowings:- | | | |
| Letter of credit | Working capital | Multi credit facilities secured by properties, fixed deposits and personal guarantees by Directors | - |
| Overdraft | Working capital | | 377 |
| Hire purchase payable | Finance of motor vehicles | | 327 |
| Term loans | Finance of freehold land and buildings | | 273 |
| | | | 977 |
| Interest-bearing long-term borrowings:- | | | |
| Hire purchase payable | Finance of motor vehicles | | 975 |
| Term loans | Finance of freehold land and buildings | | 3,550 |
| Total borrowings | | | 5,502 |
| Gearing (times) before Public Issue and utilisation of proceeds ⁽¹⁾ | | | 0.28 |
| Gearing (times) after Public Issue and utilisation of proceeds ⁽²⁾ | | | 0.17 |

Notes:-

- (1) Computed based on the total shareholders fund amounting to RM19.31 million in the pro forma consolidated statements of financial position before the Public Issue and utilisation of proceeds.
- (2) Computed based on the total shareholders fund amounting to RM32.81 million in the pro forma consolidated statements of financial position after the Public Issue and utilisation of proceeds.

The details of the types of credit facilities that we use and its balances as at the LPD are as follows:-

| Type of financial instruments | Tenure | Interest Rates (%) | Balance as at LPD RM'000 |
|-------------------------------|---------------|--------------------|--------------------------|
| Trust Receipt | 30 – 120 days | 7.85 | - |
| Letter of credit | 90 – 120 days | 7.60 – 8.35 | 83 |
| Term loan | 20 years | 6.20 – 6.65 | 3,715 |
| Hire purchase payable | 3 to 5 years | 2.49 – 4.66 | 1,321 |
| Bank overdraft | - | 10.85 | 173 |
| | | Total | 5,292 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

As at 31 March 2016, our Group does not have any borrowings in any foreign currency. Our Group has not defaulted in any payments of principal sums and/or interests in respect of any borrowings throughout the financial years/period under review, and the subsequent financial years up to the LPD.

Our Group's total borrowing decreased marginally from RM5.50 million as at 31 March 2016 to RM5.29 million as at LPD is due to monthly repayment made for our Group's bank borrowings and hire purchase facilities.

As at the LPD, neither our Group nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities. In addition, we have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the financial years/period under review and up to LPD.

12.5.4 Material capital commitments

As at the LPD, our Directors are not aware of any material commitments for capital expenditure contracted or known to be contracted by our Group which may have a material impact on our Group's financial position or business.

12.5.5 Material litigation

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as a plaintiff or defendant, and we do not know of any proceeding pending or threatened or of any fact that is likely to give rise to any proceeding which might materially or adversely affect our financial position or business.

12.5.6 Contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of our Group.

12.5.7 Key financial ratios

The key financial ratios of our Group for the financial years under review are as follows:-

| | Combined Group | | | | FPE 31 March 2016 |
|---|----------------|-------------|-------------|-------------|-------------------------|
| | FYE 2012 | FYE 2013 | FYE 2014 | FYE 2015 | |
| Trade receivables turnover period (days) ⁽¹⁾ | 112 | 45 | 51 | 36 | 39 |
| Trade payables turnover period (days) ⁽²⁾ | 159 | 100 | 62 | 40 | 35 |
| Inventory turnover period (days) ⁽³⁾ | 84 | 91 | 93 | 96 | 108 |
| Current ratio (times) ⁽⁴⁾ | 1.61 | 1.58 | 1.71 | 2.13 | 2.50 |
| Gearing ratio (times) ⁽⁵⁾ | 0.40 | 0.39 | 0.34 | 0.32 | 0.28 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Notes:-

- (1) Computed based on trade receivables as at year end over revenue for the year multiplied by 365 days for FYE 2012 to FYE 2015 and by 91 days for FPE 31 March 2016.
- (2) Computed based on trade payables as at year end over cost of sales for the year multiplied by 365 days for FYE 2012 to FYE 2015 and by 91 days for FPE 31 March 2016.
- (3) Computed based on inventory as at year end over cost of sales for the year multiplied by 365 days for FYE 2012 to FYE 2015 and by 91 days for FPE 31 March 2016.
- (4) Computed based on current assets over current liabilities as at year/period ended.
- (5) Computed based on the bank borrowings as at year end over the total shareholders' funds of our combined Group.

(i) Trade receivables

As at 31 March 2016, the trade receivables of our Group amounted to approximately RM6.30 million which can be analysed as follows:-

| | Combined Group | | | | Total |
|---|-----------------------------|------------------------------|-------------------------------|-----------------------------------|--------------|
| | Within credit period | 1 to 30 days past due | 31 to 60 days past due | More than 60 days past due | |
| Trade receivables (RM'000) | 4,523 | 262 | 13 | 1,503 | 6,301 |
| % of total trade receivables | 71.8 | 4.2 | 0.2 | 23.8 | 100.0 |
| Subsequent collections up to the LPD (RM'000) | 4,197 | 191 | 5 | 970 | 5,363 |
| Trade receivables net of subsequent collections (RM'000) | 326 | 71 | 8 | 533 | 938 |
| % of trade receivables net of subsequent collections to total trade receivables | 5.2 | 1.1 | 0.1 | 8.5 | 14.9 |
| Turnover Period (Days) | | | | | 39 |

Analysed by: -

Commercial laundry equipment business segment

| | | | | | |
|---|------------|------------|---|------------|--------------|
| Trade receivables (RM'000) | 444 | 238 | - | 485 | 1,167 |
| % of total trade receivables (%) | 38.0 | 20.4 | - | 41.6 | 100.0 |
| Subsequent collections up to the LPD (RM'000) | 420 | 167 | - | 130 | 717 |
| Trade receivables net of subsequent collections (RM'000) | 24 | 71 | - | 355 | 450 |
| % of trade receivables net of subsequent collections to total trade receivables (%) | 2.1 | 6.1 | - | 30.4 | 38.6 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

| | Combined Group | | | | Total |
|---|----------------------|-----------------------|------------------------|----------------------------|--------------|
| | Within credit period | 1 to 30 days past due | 31 to 60 days past due | More than 60 days past due | |
| Medical imaging equipment sub-segment | | | | | |
| Trade receivables (RM'000) | 3,329 | 24 | 13 | 873 | 4,239 |
| % of total trade receivables (%) | 78.5 | 0.6 | 0.3 | 20.6 | 100.0 |
| Subsequent collections up to the LPD (RM'000) | 3,028 | 24 | 5 | 781 | 3,838 |
| Trade receivables net of subsequent collections (RM'000) | 301 | - | 8 | 92 | 401 |
| % of trade receivables net of subsequent collections to total trade receivables (%) | 7.1 | - | 0.2 | 2.2 | 9.5 |
| Turnover Period (Days) | | | | | 93 |
| Sterilisation, disinfection and surgical room equipment sub-segment | | | | | |
| Trade receivables (RM'000) | 750 | - | - | 145 | 895 |
| % of total trade receivables (%) | 83.8 | - | - | 16.2 | 100.0 |
| Subsequent collections up to the LPD (RM'000) | 749 | - | - | 59 | 808 |
| Trade receivables net of subsequent collections (RM'000) | 1 | - | - | 86 | 87 |
| % of trade receivables net of subsequent collections to total trade receivables (%) | 0.1 | - | - | 9.6 | 9.7 |
| Turnover Period (Days) | | | | | 75 |

Trade receivables are recognised at their invoice amount which represents their fair value on initial recognition.

Our Group's normal trade credit term ranges from 30 days to 90 days for the financial years/period under review.

Our Group's policy in assessing our customer's credibility and credit period is made on an individual basis, recommended by our sales team and evaluated by our credit control department. Approvals are sought from designated authorised management personnel and/or Credit Control Committee depending on the credit limit. All of our outstanding debts are closely monitored by our management personnel.

As at LPD, approximately RM5.36 million or 85.1% of our Group's total trade receivables as at 31 March 2016 has been collected.

As at 31 March 2016, trade receivables exceeding credit period but not impaired amounts to approximately RM1.78 million. After taking into consideration of the subsequent collection as at LPD of RM1.17 million, our Board are of the opinion that the remaining outstanding balances of RM0.61 million are still recoverable as our Group maintains good business relationship with on-

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

going business transactions with the relevant customers. Accordingly, no impairment has been made.

Our Group's overall receivables turnover days have improved from 112 days in FYE 2012 to 39 days in FPE 31 March 2016 as the revenue contribution from the vended commercial laundry equipment sub-segment increases. The collections from the sale of our vended commercial laundry equipment customers are normally within 30 days as compared to our customers from the hospital or hotel industry for the sales of on-premise laundry equipment and medical devices.

Our Group has not encountered any disputes with our debtors except that we have initiated recovery actions by way of issuance of letters of demand to certain debtors (where impairment has been provided) for recovery of trade debts under ordinary course of business.

(ii) Trade Payables

As at 31 March 2016, the trade payables of our Group amounted to approximately RM3.62 million which can be analysed as follows:-

| | Combined Group | | | | Total |
|--|--|----------------------|----------------------|--------------------------------|--------------|
| | <----- Within credit terms -----> | | | Exceeding credit period | |
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | More than 91 days | |
| Group | | | | | |
| Trade payables (RM'000) | 2,520 | 889 | 110 | 100 | 3,619 |
| % of total trade payables | 69.6 | 24.6 | 3.0 | 2.8 | 100.0 |
| Subsequent payments up to the LPD (RM'000) | 2,459 | 880 | - | 24 | 3,363 |
| Trade payables net of subsequent payments (RM'000) | 61 | 9 | 110 | 76 | 256 |
| % of trade payables net of subsequent payments to total trade payables | 1.7 | 0.3 | 3.0 | 2.1 | 7.1 |
| Turnover Period (Days) | | | | | 35 |
| Analysed by: - | | | | | |
| <u>Commercial laundry equipment business segment</u> | | | | | |
| Trade payables (RM'000) | 216 | 13 | - | 13 | 242 |
| % of total trade payables | 89.2 | 5.4 | - | 5.4 | 100.0 |
| Subsequent payments up to the LPD (RM'000) | 209 | 13 | - | 9 | 231 |
| Trade payables net of subsequent payments (RM'000) | 7 | - | - | 4 | 11 |
| % of trade payables net of subsequent payments to total trade payables | 2.9 | - | - | 1.6 | 4.5 |
| Turnover Period (Days) | | | | | 3 |

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

| | Combined Group | | | | Total |
|--|-----------------------------------|---------------|---------------|-------------------------|--------------|
| | <----- Within credit terms -----> | | | Exceeding credit period | |
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | More than 91 days | |
| Medical devices business segment | | | | | |
| Medical imaging equipment sub-segment | | | | | |
| Trade payables (RM'000) | 1,810 | 867 | - | 26 | 2,703 |
| % of total trade payables | 66.9 | 32.1 | - | 1.0 | 100.0 |
| Subsequent payments up to the LPD (RM'000) | 1,810 | 867 | - | 15 | 2,692 |
| Trade payables net of subsequent payments (RM'000) | - | - | - | 11 | 11 |
| % of trade payables net of subsequent payments to total trade payables | - | - | - | 0.4 | 0.4 |
| Turnover Period (Days) | | | | | 118 |
| Sterilisation, disinfection and surgical room equipment sub-segment | | | | | |
| Trade payables (RM'000) | 494 | 9 | 110 | 61 | 674 |
| % of total trade payables | 73.3 | 1.3 | 16.3 | 9.1 | 100.0 |
| Subsequent payments up to the LPD (RM'000) | 440 | - | - | - | 440 |
| Trade payables net of subsequent payments (RM'000) | 54 | 9 | 110 | 61 | 234 |
| % of trade payables net of subsequent payments to total trade payables | 8.0 | 1.3 | 16.3 | 9.1 | 34.7 |
| Turnover Period (Days) | | | | | 151 |

The normal trade credit term granted to our Group ranges from 30 days to 90 days for the financial years/period under review. As at 31 March 2016, our Group's trade payables turnover period was within the normal credit terms granted to us.

As at LPD, there is no dispute with respect to the trade payables and no legal action has been initiated by our international brand manufacturers to demand for payment against our Group. As at the LPD, we have made subsequent payment of RM3.36 million, representing 92.8% of our total trade payable as at FPE 31 March 2016.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

(iii) Inventories

As at 31 March 2016, the inventories of our Group amounted to approximately RM11.36 million which can be analysed as follows: -

| Business segment | Combined Group | | | | |
|---|----------------|---------------|---------------|-------------------|---------------|
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days and above | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Commercial laundry equipment | 2,950 | 45 | 1,359 | 1,829 | 6,183 |
| Medical devices:- | | | | | |
| - Medical imaging equipment | 386 | 71 | 1,116 | 1,511 | 3,084 |
| - Sterilisation, disinfection and surgical room equipment | 166 | 267 | 386 | 1,278 | 2,097 |
| | 3,502 | 383 | 2,861 | 4,618 | 11,364 |

Our Group's inventories mainly consist of commercial laundry equipment, medical devices, spare parts, accessories and consumables. We stocked mainly fast moving items except for spare parts and consumables.

Inventories for commercial laundry equipment between 60 to 90 days mainly consist of Speed Queen washers and dryers while inventories held above 90 days are mainly spare parts as well as accessories. Our Group maintains certain level of spare parts to ensure that we are able to respond to our customers promptly in the event of a machinery breakdown.

Inventories for our medical devices business segments mainly consist of medical consumables, such as imaging films and consumables for sterile assurance products and spare parts, in anticipation of future demand from our customers to ensure that we are able to distribute these consumables immediately.

Our Group conducts a monthly management meeting to review the stockholding level and inventory ageing analysis. Approval is required from authorised personnel at headquarter level for replenishment of stocks and impairment on slow moving stocks.

Our Group's inventory turnover period ranges from 84 days to 96 days from FYE 2012 to FYE 2015. Our inventory turnover period as at FPE 31 March 2016 increased to 108 days mainly due to decrease in sales from our commercial laundry equipment business segment in which the after-sales services, maintenance and repair services rendered to our customers has reduced by 90.7% or RM0.02 million as compared to FPE 31 March 2015. This has resulted in longer stock holding period for our products due to lesser usage on these spare parts and accessories that is required to be utilised for performing such after-sales, maintenance and repair services.

(iv) Gearing ratio

Our Group's gearing ratio computed based on the combined financial information ranges from 0.28 times to 0.40 times over the financial years/period under review.

Our Group's total debts had increased by approximately RM0.48 million as at 31 December 2013 mainly due to additional trade facilities required to finance the working capital requirements of our Group. Despite the increase in our Group's overall total debts, our Group's gearing had decrease marginally from 0.40 times to 0.39 times in FYE 2013 due to the increase in our Group's profits by RM1.80 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

As at 31 December 2014, our Group's total debts further increased by RM0.88 million mainly due to additional hire purchase facilities taken to finance the purchase of motor vehicles amounting to RM0.71 million as well as additional financing amounting to RM0.17 million required to finance the working capital requirement of our Group. Despite the increase in total debts, our Group's gearing decrease to 0.34 times due to further increase in our Group's profits by RM3.62 million.

As at 31 December 2015, our Group's total debts further increased by RM0.87 million mainly due to additional term loan facility, which was undertaken to finance the purchase of a property located at Seri Kembangan, Selangor as well as additional hire purchase facilities taken to finance the purchase of motor vehicles amounting to RM0.14 million. Despite the increase in total debts, our Group's gearing decrease to 0.32 times due to further increase in our Group's profits by RM0.50 million.

As at FPE 31 March 2016, our Group's total debts decreased by RM0.03 million mainly due to the normal repayment made for our term loan and hire purchase facilities. Our Group's gearing decreased to 0.28 times mainly due to the decrease in our total borrowings.

The total borrowings of our Group are as follows:-

| | Combined Group | | | | |
|-------------------------|--------------------------|---------------|---------------|---------------|-----------------|
| | As at 31 December | | | | FPE |
| | 2012 | 2013 | 2014 | 2015 | 31 March |
| | RM'000 | RM'000 | RM'000 | RM'000 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Current | | | | | |
| Hire purchase payable | 196 | 202 | 297 | 333 | 327 |
| Borrowings | 655 | 1,310 | 1,138 | 522 | 650 |
| | 851 | 1,512 | 1,435 | 855 | 977 |
| Non-Current | | | | | |
| Hire purchase payable | 389 | 354 | 968 | 1,073 | 975 |
| Borrowings | 2,054 | 1,908 | 2,254 | 3,601 | 3,550 |
| | 2,443 | 2,262 | 3,222 | 4,674 | 4,525 |
| Total Borrowings | 3,294 | 3,774 | 4,657 | 5,529 | 5,502 |

(v) Current ratio

Our current ratio ranges from 1.58 to 2.50 times over the financial years/ period under review. This shows that our Group is capable of meeting our current financing obligations as our current assets such as inventory and trade receivables are readily convertible to cash together with our cash at bank to meet our repayment of outstanding trade financing facilities and trade payables.

12.6 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:-

- (a) Our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the commercial laundry equipment and medical devices industries in Malaysia;
- (b) Our liquidity will improve further subsequent to our Public Issue given the additional funds to be raised for our Group to carry out our future plans as stated in Section 6.15 of this Prospectus; and

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

- (c) Our capital resources will strengthen, taking into account an amount of approximately RM3.21 million from the IPO proceeds to be utilised for general working capital requirements, as well as our internally generated fund from improved financial performance for the financial years/period under review. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board is not aware of any circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profit/loss position.

As at the LPD, our Group's financial conditions and operations have not been and are not expected to be affected by any of the following:-

- (a) Known trends, demands, commitment, events or uncertainties that may have a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those disclosed in Sections 4, 6, 11 and 12 of this Prospectus;
- (b) Material commitment for capital expenditure save as disclosed in Section 5.6.5 of this Prospectus;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this Sections 4 and 12 of this Prospectus;
- (d) Known trends, demands, commitments, events or uncertainties that may have a material impact on our Group's liquidity and capital resources, other than those disclosed in Sections 12.5 of this Prospectus; and
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 4 of this Prospectus.

Information on our Group's business and financial prospects, significant trend in sales, cost and selling prices is set out in Sections 6 and 12 of this Prospectus. Discussion on the overview of the commercial laundry equipment and medical devices industries in Malaysia, its prospects and outlook are further elaborated in Section 7 of this Prospectus.

Based on the outlook of the commercial laundry equipment and medical devices industries in Malaysia as set out in Section 7 of this Prospectus, our Group's competitive strengths as set out in Section 6.2 of this Prospectus and our future plans as set out in Section 6.3 of this Prospectus, our Board is optimistic about the future prospects of our Group.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.7 ORDER BOOK

The nature of our Group's business activities is such that the majority of our sales are made based on the purchase orders received from our customers with specifications and quantity required. We do not enter into any long term contract with our customers for the sale of commercial laundry equipment, medical imaging equipment and sterilisation, disinfection and surgical room equipment. Our outstanding order book as at 30 August 2016 is as follows:-

| <u>Business segment</u> | <u>Order book (RM'000)</u> | <u>Type of equipment/ Services</u> | <u>Delivery due date</u> |
|---|-----------------------------------|---|------------------------------------|
| Commercial laundry equipment | 4,852 | (a) Speed Queen washer extractor, Speed Queen tumbler dryer, Huebsch washer extractor and Huebsch tumbler dryer | By the third quarter of 2016 |
| | - | (b) Preventive maintenance and after-sales services | - |
| Medical imaging equipment | 3,793 | (a) MRI systems, general X-Ray and radio graphic systems, digital imaging solutions and CT systems | By the fourth quarter of 2016 |
| | 5,231 | (b) Preventive maintenance and after-sales services | Between July 2016 and October 2020 |
| Sterilisation, disinfection and surgical room equipment | 897 | (a) Sterilisers, washers, disinfectors, dryers and warming cabinets | By the third quarter of 2016 |
| | 1,491 | (b) Preventive maintenance and after-sales services | By the fourth quarter of 2016 |

Our Group shall continue to focus on our sales and marketing activities to ensure that our order books are continuously replenished in order to ensure the sustainability of our Group's financial position. This includes the following:-

- (a) Continue to maintain close business relationships with our customers and will continuously strive to meet our customers' expectations by paying closer attention to their feedback and working in tandem with their requirements to improve our product and service quality.
- (b) Undertaking various modes of promotional, advertising and marketing activities to promote our range of products and services. This includes campaigns, promotions, online advertisements, billboards and other target based marketing activities. Our Sales and Marketing personnel will also actively conduct frequent sales visits to existing and potential customers.

We believe our efforts in expanding our existing sales and marketing network would increase brand awareness of our range of products and services in Malaysia.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

(c) Availability of online presence through our corporate websites, namely:-

- (i) <http://www.bcmalliance.com.my>;
- (ii) <http://www.cslaundry.com.my>;
- (iii) <http://www.bestcontact.com.my>; and
- (iv) <http://www.maymedic.com.my>

These websites catalogues our products and services that we are able to distribute and provide.

- (d) Provide comprehensive commercial laundry equipment solution for our customers from conceptualisation of design, supply and installation of fully-functional laundry facility to after-sales repair and maintenance service.
- (e) Providing comprehensive range of medical imaging equipment as well as disinfection, sterilisation and surgical room products that cater to the demands and stringent requirements of our customers in the healthcare sector.
- (f) Providing our customers with continuous value added after-sales service such as preventive maintenance services during the equipment warranty period as well as obtaining recurring orders for consumables and spare parts.

For both commercial laundry equipment and medical device business segments, we offer yearly preventive maintenance contract to our customers. The preventive maintenance contract covers four (4) planned visits to site per annum to carry out regular service, maintenance and testing of the equipment and attending to ad-hoc breakdown, repair or replacement of spare parts.

Upon expiration of the product warranty period, our customer can choose to continue to engage us for repair and maintenance work for a contract period or when needed, as part of our value-added repair and maintenance services to our customers.

Commercial laundry equipment business segment

We have issued several quotations to several customers between April 2016 to 30 August 2016 for the total amount of RM40.12 million, which includes the supply, installation and testing of commercial laundry equipment. These quotations include the following:-

- (a) Supply and installation of Speed Queen brand of commercial laundry equipment;
- (b) Supply and installation of on-premise commercial laundry equipment of various brands; and
- (c) Consultancy services such as designing and planning of our customer's self-service launderette layout and presentation and other related services in setting up self-service launderette and on-premise laundries.

Medical devices business segment

We have also participated in tendering for the distribution of our range of medical devices, consumables and services to several public and private hospitals around Peninsular Malaysia. Our Group is also in the midst of pursuing several tender contracts amounting to approximately RM77.01 million, which was submitted between April 2016 to 30 August 2016. However, these tender contracts are currently being evaluated by the relevant parties and our Company has not been awarded with any of these contracts as at the LPD.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

We have also been invited to bid for several supply contracts from several parties for the distribution of medical devices to several hospitals. We are in the midst of evaluating the project's requirements in terms of the project budget, timeline, schedule, location and the project's technical aspect. The final pricing of the bid/tender will be submitted after evaluating all relevant costs.

12.8 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. Any declaration of interim dividends and recommendation of final dividends are subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds are available for our future growth.

Investors should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion.

Our ability to pay future dividends to our shareholders is subject to various factors including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans.

As our Company is an investment holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions that we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend on their operational results, financial conditions, capital expenditure plans, business expansion plans and other factors that their respective Board deem relevant.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

12.9 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the Reporting Accountants' letter on pro forma consolidated statements of financial position set out in Sections 11.2 of this Prospectus.

The following table shows our Group's cash and bank balances, capitalisation and indebtedness based on our pro forma consolidated statements of financial position as at 31 July 2016, and as adjusted for the net proceeds from our IPO and proposed utilisation of the proceeds from our Public Issue:-

| | (I) | (II) |
|--|---------------------------------|---|
| As at 31 July 2016 RM'000 | After Acquisitions RM'000 | After Pro forma (I) and Public Issue and utilisation of proceeds RM'000 |
| Cash and bank balances | 79 | 11,582 |
| Fixed deposits with licensed banks | - | 1,617 |
| Total cash and cash equivalents | 79 | 13,199 |
| Indebtedness | | |
| Current – Secured and guaranteed | | |
| - Bank overdraft | - | 173 |
| - Hire purchase payables | - | 349 |
| - Term loans | - | 265 |
| Non-current – Secured and guaranteed | | |
| - Hire purchase payables | - | 899 |
| - Term loan | - | 3,471 |
| Total indebtedness | - | 5,157 |
| Shareholders' equity | (210) | 37,576 |
| Total capitalisation and indebtedness | (210) | 42,733 |

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