

BIOALPHA HOLDINGS BERHAD
STOCK CODE: BIOHLDG (0179)



ANNUAL REPORT
2014

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PROXY FORM





BHB is principally involved in investment holding. Through our subsidiaries, we are able to manufacture a broad range of health supplement products in the form of powder, liquid, teabag, capsule and tablet under our proprietary house brands, as well as on an original design manufacturing ("ODM") and original equipment manufacturing ("OEM") basis. Our health supplement products comprise processed herbs, formulated ingredients, functional foods as well as herbal and non-herbal supplements which offer a variety of health benefits including, amongst others, general health maintenance, improving blood circulation, enhancing vitality and well-being.



VISION

As a regional health supplement group to improve the total well-being of people in markets that we operate in through innovation culture, and the adoption of cutting edge biotechnology and best practices in research, products and human capital development.

MISSION

Business Model

To increase the breadth and depth of our integrated business model via capitalizing on emerging opportunities and being risk-sensitive

Agriculture

To secure the quality, supply and pricing of our raw materials via ownership of herb farms and undertaking related research and development ("R&D") activities

Shareholders

To build industry leading shareholder value through revenue diversification, cost optimisation and appropriate investment policies

Corporate Governance

To be a responsible corporate citizen that embraces integrity, ethics and exemplary corporate governance to deliver value to our stakeholders

Products

To continuously improve and expand the quality and range of our products for total health and wellness

Distribution & Retail

To develop our competency in health supplements retail via strategic partnerships and investments

To engage with customers through various channels

People

To create a conducive and rewarding working environment by promoting teamwork, creativity, integrity and performance

Customers

To address our customers' needs by being proactive, innovative and exceeding their expectations

To be commercially-minded and customer-driven in the area of product development

Certification & Accreditation

To achieve international recognition in product, herb planting and production process

R&D

To continuously improve our strain extraction methodologies and to discover new medicinal mushroom species and herbs for commercialisation

To reinforce research collaboration and strategic partnerships with local and regional experts in the fields of biotechnology and herbal nutraceutical-related research in the area of biotechnology and herbal nutraceutical-related research

To be technology-driven, innovative and cost-conscious in the development of new fermentation techniques, production and cultivation methods

Regional Expansion

To expand our regional footprint via strategic partnerships and mergers & acquisitions

Branding

To strengthen our house brands by delivering effective and innovative products, building consumer awareness and appropriate market positioning

KEY MILESTONES



- Incorporated Bioalpha International Sdn Bhd ("BISB") to undertake sale of health supplement products under house brand "Bexlim®"
- Trademarked first house brand, "Bexlim®"



- Secured first ODM and Original Equipment Manufacturer ("OEM") customers
- Penetrated into Thailand and Vietnam market
- Expansion of Semenyih plant from two (2) production lines to five (5) production lines
- Semenyih plant was certified as Good Manufacturing Practice ("GMP") compliance from the Ministry of Health Malaysia ("MOH")
- Incorporated Bioalpha R&D Sdn Bhd ("BRSB") to focus on R&D activities
- Commenced R&D of medicinal mushrooms, particularly *Cordyceps sinensis*
- BRSB awarded with BioNexus status by Malaysian Biotechnology Corporation ("MBC")

2005

2007

2008

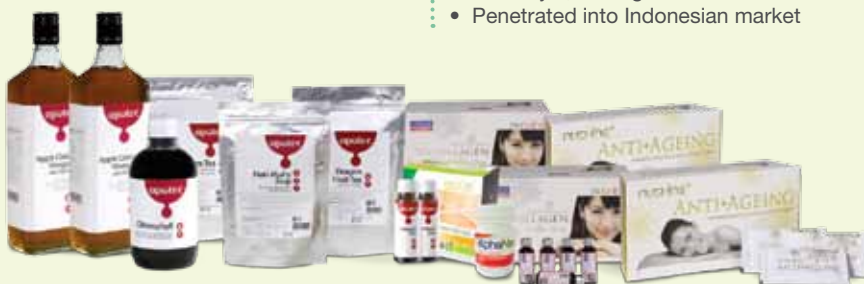
2009



- Set up manufacturing facility in Semenyih, Selangor
- Penetrated into Indonesian market



- To set up and commercialise liquid fermentation facility that awarded grant by MBC
- Penetrated into Hong Kong market
- Awarded "Enterprise 50 Award Programme" which is jointly organised by Deloitte Malaysia and SME Corporation Malaysia



KEY MILESTONES (cont'd)



- Entered into joint-venture agreement with J-Biotech Herbal Sdn Bhd for the cultivation and farming of herbal plants in herb farm in Desaru, Johor
- Awarded with the “Recognition Award for Innovative Venture Capital Backed Companies” by Malaysian Venture Capital and Private Equity Association
- Accredited with “AA rating” under the “Innovation Certification for Enterprise Rating and Transformation” by SME Corporation Malaysia



- Penetrated into Australian market
- Filled applications for patents for proprietary liquid fermentation process with Intellectual Property Corporation of Malaysia and Taiwan Intellectual Property Office



- Launched our first flagship “LifeSprings” store in Solaris Mont Kiara, Kuala Lumpur
- Our Bangi plant was certified as GMP compliance from the MOH
- To commercialise thirteen (13) new *C. sinensis* based product formulations under BCF that awarded by MBC
- Appointed as Anchor Company by ECERDC to invest, develop and manage an integrated herbal cluster agricultural land in Pasir Raja, Terengganu

2010 • 2011 • 2012 • 2013 • 2014



- Established Scientific Advisory Board (“SAB”)
- Appointed as a herbal Anchor company by Ministry of Agriculture (“MOA”) under EPP1 for the development of “High-value Herbal Products”
- Continued R&D on other medicinal mushrooms including *Lignosus rhinocerus*, *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*
- Awarded “Industry Merit Award 2011 (Biotechnology)” by Kuala Lumpur Malay Chamber of Commerce
- Commenced operations of liquid fermentation facility in Bangi plant

- Penetrated into Cambodian market
- Expanded our production capacity by setting up another manufacturing facility in Bangi, Selangor
- Shifted liquid fermentation facility from Semenyih plant to Bangi plant
- Undertook R&D on the extraction of polysaccharide from *L. rhinocerus*
- Conducted the extraction of polysaccharide from *L. rhinocerus* under CRDF project, which awarded by Malaysian Technology Development Corporation Sdn Bhd (“MTDC”)
- Perbadanan Nasional Berhad (“PNS”) became our substantial shareholder
- Signed a memorandum of understanding with MyAngkasa Holdings Sdn Bhd for a proposed future partnership for our pharmacy retail business
- Our founder and Managing Director / Chief Executive Officer, William Hon, was awarded the “MBA Industry Excellence Award (Biotech)” by ASEAN Business Advisory Council Malaysia

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abdul Rahman Bin Mamat

Independent
Non-Executive Chairman

Hon Tian Kok @ William

Managing Director/
Chief Executive Officer

Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir

Executive Director

Ho Tze Hiung

Executive Director

Dato' Norhalim Bin Yunus

Non-Independent
Non-Executive Director

Dato' Rosely Bin Samsuri

Non-Independent
Non-Executive Director

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

Independent Non-Executive
Director

Dr. Nik Ismail Bin Nik Daud

Independent
Non-Executive Director

Mohd Nasir Bin Abdullah

Independent
Non-Executive Director

AUDIT COMMITTEE

Mohd Nasir Bin Abdullah (Chairman)
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin
Bin Syed Salim

REMUNERATION COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin
Bin Syed Salim (Chairman)
Dr. Nik Ismail Bin Nik Daud
Dato' Norhalim Bin Yunus

NOMINATION COMMITTEE

Dr. Nik Ismail
Bin Nik Daud (Chairman)
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin
Bin Syed Salim

REGISTERED OFFICE

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Tel. No. : (603) 2279 3080

Fax. No. : (603) 2279 3090

HEAD OFFICE

No. 10, Jalan P/9A
Seksyen 13
43650 Bandar Baru Bangi
Selangor
Malaysia

Tel. No. : (603) 8925 1222

Fax. No. : (603) 8922 2522

Email : info@bioa.net

Website : www.bioa.net



CORPORATE INFORMATION (cont'd)

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA: 7045482)
Chong Voon Wah
(MAICSA: 7055003)

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AUDITORS

UHY (AF1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No. : (603) 2279 3088
Fax. No. : (603) 2279 3099

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PRINCIPAL BANKER

United Overseas Bank
(Malaysia) Bhd
24-26, Jalan Dato Lee Fong Yee
P.O. Box 355
70740 Seremban
Negeri Sembilan
Malaysia
Tel. No. : (606) 762 5651
Fax. No. : (606) 763 5303

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SHARE REGISTRAR

Symphony Share Registrars Sdn
Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia
Tel. No. : (603) 7841 8000
Fax. No. : (603) 7841 8151 / 8152

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SPONSOR

Kenanga Investment Bank Berhad
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel. No. : (603) 2027 5555
Fax. No. : (603) 2164 6690

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STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad

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CORPORATE STRUCTURE



**BIOALPHA
HOLDINGS BERHAD**
(949536-X)

100%
**BIOALPHA
INTERNATIONAL
SDN BHD**
(715156-K)

72%
**BIOALPHA
AGRO
SDN BHD**
(905540-W)

70%
**BIOALPHA
(JOHOR HERBAL)
SDN BHD**
(920069-K)

100%
**BIOALPHA
EAST COAST
AGRO
SDN BHD**
(1078381-D)

100%
**BOTANICAL
DISTRIBUTION
SDN BHD**
(825720-T)

100%
**ALPHACARE
SDN BHD**
(962831-A)

100%
**BIOALPHA
R&D SDN BHD**
(817850-K)

FINANCIAL HIGHLIGHTS

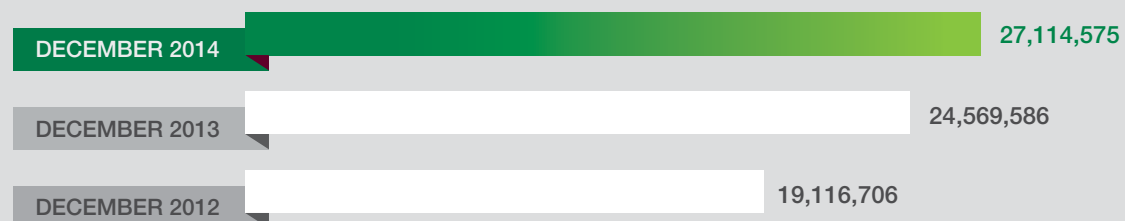
	31/12/14 RM	31/12/13 RM	31/12/12 RM
Financial Results			
Revenue	27,114,575	24,569,586	19,116,706
Earnings before interest, taxes, depreciation and amortisation	10,182,465	10,361,145	9,342,103
Profit before tax	6,786,189	7,539,679	7,561,038
Net Profit	6,297,012	6,338,282	7,152,488
Net dividend	475,000	–	–
Net profit attributable to:			
Owners of the parent	6,432,590	6,294,259	7,194,165
Non-controlling interests	(135,578)	44,023	(41,677)
Financial Position			
Assets			
Non-Current assets			
- Property, plant and equipment	24,302,859	17,369,326	15,207,824
- Development expenditure	8,076,159	5,527,436	1,216,109
Current assets	34,055,578	36,917,757	18,363,327
Total assets	66,434,596	59,814,519	34,787,260
Equity			
Share capital	18,170,656	18,170,656	12,719,150
Non-distributable reserves	6,587,678	6,587,678	(4,969,130)
Retained earnings	29,649,920	23,692,330	17,398,071
Total equity attributable to owners of the parent	54,408,254	48,450,664	25,148,091
Non-controlling interests	(128,178)	7,400	(36,623)
Total Equity	54,280,076	48,458,064	25,111,468
Liabilities			
Non-Current liabilities			
- Deferred tax liabilities	1,936,735	1,553,100	433,744
- Finance lease payable	288,827	566,423	704,265
- Bank borrowing	2,252,713	2,477,520	2,489,644
Current liabilities	7,676,245	6,759,412	6,048,139
Total Liabilities	12,154,520	11,356,455	9,676,152
Total equity and liabilities	66,434,596	59,814,519	34,787,260
Weighted average no. of ordinary shares	363,413,114	283,786,591	254,383,000
Financial Indicators			
Earnings per share (sen)	1.77	2.22	2.83
Net dividend per share (sen)	0.13	–	–
Net assets per share (RM)	0.15	0.17	0.10
Return on equity (%)	11.60	13.08	28.48

FINANCIAL HIGHLIGHTS

(cont'd)

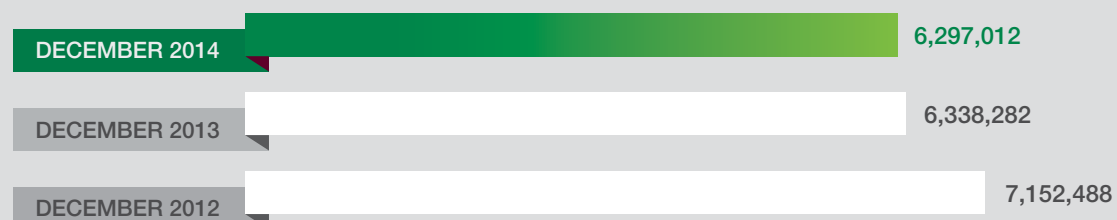
REVENUE

RM million



PROFIT AFTER TAX

RM million



BOARD OF DIRECTORS



Seated (from left to right)

1. **TAN SRI DATO' DR. SYED JALALUDIN BIN SYED SALIM**
Independent Non-Executive Director
2. **TAN SRI ABDUL RAHMAN BIN MAMAT**
Independent Non-Executive Chairman
3. **HON TIAN KOK @ WILLIAM**
Managing Director/ Chief Executive Officer

Standing (from left to right)

1. **HO TZE HIUNG**
Executive Director
2. **DATO' ROSELY BIN SAMSURI**
Non-Independent Non-Executive Director
3. **DATO' SRI HJ. SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR**
Executive Director
4. **DATO' NORHALIM BIN YUNUS**
Non-Independent Non-Executive Director
5. **DR. NIK ISMAIL BIN NIK DAUD**
Independent Non-Executive Director
6. **MOHD NASIR BIN ABDULLAH**
Independent Non-Executive Director

BOARD OF DIRECTORS (cont'd)



**TAN SRI ABDUL
RAHMAN BIN
MAMAT**

63 Years
Malaysian
Independent
Non-Executive Chairman

Tan Sri Abdul Rahman Bin Mamat is our Independent Non-Executive Chairman and was appointed to our Board of Directors ("Board") on 3 January 2012. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1975 and later obtained an Advanced Management Programme qualification from Harvard Business School, Boston, United States of America ("US") in 2004.

Tan Sri Abdul Rahman began his career as an Assistant Director with Ministry of International Trade and Industry ("MITI") in 1975 and served in various capacities in MITI for 35 years before retiring in December 2010, including Deputy Trade Commissioner, Malaysian Trade Office, US; Director of Trade, Malaysian Trade Centre, Taiwan; Economic Counsellor/ Trade Commissioner/ Deputy Permanent of the Malaysian Trade Office, Thailand as well as a Representative to the United Nations Economic and Social Commission; Special Assistant to the Minister of International Trade and Industry; Director of Export Promotion Bureau of Malaysia External Trade Development Corporation ("MATRADE"); Director of Industries; Senior Director of Policy and Industry, Services Division; Deputy Secretary-General (Industry); and Secretary-General of MITI. During his tenure in MITI, he also served as MITI's representative on the board of various companies and corporations, including Malaysian Industrial Development Authority (MIDA), MATRADE, Johor Corporation, Regional Economic Development Authority (RECODA), Sarawak and Small and Medium Corporation, Malaysia.

He currently serves on the board of several private limited companies involved in manufacturing, retail and services sectors covering global logistics, petrochemical, healthcare and oil, gas and energy. He is also an Independent Non-Executive Chairman of Hiap Teck Venture Berhad and Independent Non-Executive Director of Parkson Holdings Berhad.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.



**HON TIAN KOK @
WILLIAM**

39 Years
Malaysian
Managing Director/
Chief Executive Officer

William Hon is our founder, substantial shareholder, Promoter and Managing Director/Chief Executive Officer. He was appointed to our Board on 21 June 2011 and is responsible for overseeing our Group's performance and strategic direction.

William Hon obtained his qualification from the Association of Chartered Certified Accountants in 1998 and has been a member of the Malaysia Institute of Accountants since 2002.

William Hon has an extensive background and experience in Finance, Audit, Strategic Planning, Marketing, International Business Relations and Biotechnology industry. He began his career as an Auditor with an accounting firm in 1995 and later joined commercial company as an Assistant Finance Manager in the same year. In 1998, he joined an educational and business consultancy firm, as a Consultant. He subsequently left and joined a listed property company in 2000 as Vice President of Business Development, where he was responsible for identifying and/or assessing new business opportunities for the group in the property investment and development industry as well as other new ventures such as biotechnology. In 2003, he worked as a freelance consultant with a few companies, including companies in the healthcare industry, during which he gained further knowledge of the biotechnology industry and enabled him to establish BISB in 2005.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company other than disclosed appears on page 112. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

BOARD OF DIRECTORS

(cont'd)



**DATO' SRI HJ.
SYED ZAINAL
ABIDIN BIN SYED
MOHAMED TAHIR**

53 Years
Malaysian
Executive Director

Dato' Sri Syed Zainal is our Promoter and Executive Director. He was appointed to our Board on 10 September 2013 and is responsible for our Group's corporate and strategic planning.

He graduated with a Bachelor of Science in Engineering from University of Maryland, US in 1985. He began his career as a Project Engineer with Petronas Gas Sdn Bhd in 1987, prior to joining Petroliaam Nasional Berhad as a Senior Executive of Corporate Planning & International Business Development in 1992. He then left to join HICOM Holdings Berhad in 1995, where he assumed various positions in the company. Dato' Sri Syed Zainal subsequently joined Perusahaan Otomobil Kedua Sdn Bhd ("Perodua") as Senior General Manager in 1999. He was later appointed Executive Director of Perodua Auto Corporation Sdn Bhd in 2002, and was promoted to Deputy Managing Director of Perodua in 2005. In 2006, he was appointed as Group Managing Director of Proton Holdings Berhad, a position he held until his departure in 2012. In 2013, he joined our Company as our Executive Director.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company other than disclosed appears on page 112. He has not been convicted for any offences within the past ten years other than traffic offences, if any.



HO TZE HIUNG

38 Years
Malaysian
Executive Director

Ho Tze Hiung is our Executive Director and was appointed to our Board on 21 June 2011. As our Operations Director, he is responsible overseeing the Group's production operations.

Ho Tze Hiung completed his Bachelor of Business, majoring in Business and Management from Oxford Brooks University in 1999 and began his career as a Marketing Executive in the same year. In 2000, he joined a seafood processing industry as a Sales Supervisor. In 2002, he joined wholesale from grocery and frozen food as an Operations Manager. He subsequently joined a multinational insurance company as a Trainer in 2003. In 2004, he joined a health supplement company as a Marketing Manager. Subsequently in 2005, he joined BISB as a Marketing Director and was promoted to Operations Director in 2012.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

BOARD OF DIRECTORS (cont'd)



**DATO' NORHALIM
BIN YUNUS**

52 Years
Malaysian
Non-Independent
Non-Executive Director

Dato' Norhalim Bin Yunus is our Non-Independent Non-Executive Director and was appointed to our Board on 30 June 2011. He graduated with a Bachelor of Science in Life Sciences from UKM in 1986 and is the Chief Executive Officer of MTDC, a wholly-owned subsidiary of Khazanah.

Dato' Norhalim joined MTDC a few months after its formation in 1993 and was subsequently appointed as Chief Executive Officer of MTDC in 2008. During his tenure with MTDC, he was extensively involved in the Malaysian innovation ecosystem development, including the commercialisation of public sector universities' R&D results, early stage technology ventures, innovation policy development and fund management. He is one of the pioneers in the commercialisation of public universities/research institutes' R&D results in Malaysia and has played various roles relating to the overall development of the Malaysian technology commercialisation ecosystem: as a venture capital fund manager, government grant manager, incubator manager and industry expert in various public sector innovation-related committees.

He is also a Non-Independent Non-Executive Director of Globetronics Technology Bhd.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.



**DATO' ROSELY BIN
SAMSURI**

62 Years
Malaysian
Non-Independent
Non-Executive Director

Dato' Rosely Bin Samsuri is our Non-Independent Non-Executive Director and was appointed to our Board on 20 September 2013. He is a member of the Nomination Committee and Audit and Risk Management Committee of BHB. He graduated with a Bachelor of Science (Finance) from Indiana State University, Indiana, US in 1983 and obtained a Master of Business Administration (International Business) from University of New Haven, Connecticut, US in 1985.

Dato' Rosely began his career as a Credit and Accounts Officer with Negara Properties Sdn Bhd in 1985 before joining Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") as an Executive in Corporate Planning in the same year. He was promoted as Head of Corporate Planning cum Executive Assistant to Managing Director in 1994, Head of Research and Development and Head of Credit Control in 2000. He was also appointed as Finance Manager of Rakyat Corporation in 1986 and Chief Executive Officer of Angkasa Raya Development Sdn Bhd in 1997, both wholly owned subsidiaries of Bank Rakyat. In 2003, he was appointed as General Manager of Corporate Services and Secretary until his retirement in 2009. He was also a member of various Board committees and Board subsidiaries of Bank Rakyat during his tenure with the bank.

Currently, Dato' Rosely is serving on the board of PNS, Permodalan Felcra Sdn Bhd as well as the Chairman of Management Investment Committee of Permodalan Felcra Sdn Bhd. He is also a Non-Independent Non-Executive Director of Tatt Giap Group Berhad.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

BOARD OF DIRECTORS (cont'd)



**TAN SRI DATO' DR.
SYED JALALUDIN
BIN SYED SALIM**

71 Years
Malaysian
Independent
Non-Executive Director

Tan Sri Dr. Syed Jalaludin is our Independent Non-Executive Director and was appointed to our Board on 8 July 2014. He graduated with a Bachelor of Veterinary Science from University of Punjab in 1967, followed by a Master of Philosophy and a Doctor of Philosophy (PhD) from University of London, United Kingdom in 1969 and 1977 respectively. He was also conferred five (5) honorary degrees, namely Doctor of Science from University of Hull in 1999, Honoris Causa from Soka University in 2000, Doctor of Agriculture Technology from Thaksin University in 2005, Doctor of Science from Open Universiti Malaysia in 2007 and Doctor of Engineering from Universiti Malaysia Perlis in 2008.

Tan Sri Dr. Syed Jalaludin began his career as an assistant lecturer in the Faculty of Agriculture in University of Malaya in 1969. He later joined Universiti Putra Malaysia ("UPM") as a lecturer in the Faculty of Veterinary Medicine and Animal Science in 1975 before retiring as Vice Chancellor of UPM in 2001. During his academic career, he was bestowed with the National Science Laureate in 1993 and National Academic Laureate in 2008. He is also a founder and senior fellow (which carries the title of academician) of the Academy of Sciences Malaysia. Tan Sri Dr. Syed Jalaludin has also been conferred Emeritus Professorship by Universiti Terengganu Malaysia and UPM. He is still active in the academic sector as Chairman of the Board of Directors of UPM, Universiti Tun Abdul Razak and Asia eUniversity. He is also the Chancellor of Taylor's University and is a member of the Executive Committee and Governing Board of the International Centre for Education in Islamic Finance (INCEIF). In addition, he is also a director of Meteor Technology Sdn Bhd, a company wholly-owned by Open University Malaysia.

In the corporate sector, Tan Sri Dr. Syed Jalaludin is the Founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by Ministry of Finance (Incorporated) ("MOF (Inc)").

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.



**MOHD NASIR BIN
ABDULLAH**

49 Years
Malaysian
Independent
Non-Executive Director

Mohd Nasir Bin Abdullah is our Independent Non-Executive Director and was appointed to our Board on 12 February 2015. Mohd Nasir obtained his Diploma in Accountancy from Universiti Teknologi MARA in 1989 and subsequently graduated with a Bachelor of Accountancy (Hons) from the same university in 1996. He is a member of the Malaysian Institute of Accountants since 1996 and the Malaysian Association of Tax Accountants since 2012.

Mohd Nasir began his career with Sahir & Co, an accounting firm, as an Audit Associate in 1989 where he gained his first audit experience. He later joined Lembaga Tabung Angkatan Tentera as Finance Officer in 1992 and Arastu Sdn Bhd as Finance Manager in 1997. In 1998, he left to join Kuantan Port Consortium Sdn Bhd as a Finance Manager and later assumed the role of Internal Audit Manager in 2000. In 2005, he joined NACC Corporate Services Sdn Bhd as a Director where he was responsible for the accounting, secretarial and management services. He subsequently joined two (2) accounting firms, Wan Ali Jaafar & Associates as a Senior Associate in 2008 and AT Konsortium as an Audit Manager in 2012, to further gain his audit experience. With his accounting and audit background, Mohd Nasir established MN Associates, an accounting firm which provides accounting, secretarial and management services, in 2013.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

BOARD OF DIRECTORS (cont'd)



**DR. NIK ISMAIL
BIN NIK DAUD**

64 Years
Malaysian
Independent
Non-Executive Director

Dr. Nik Ismail Bin Nik Daud is our Independent Non-Executive Director and was appointed to our Board on 30 June 2011. He is also the Chairman of our Scientific Advisory Board ("SAB").

Dr. Nik graduated with a Bachelor of Agricultural Science (Hons) from University of Malaya in 1975. Subsequently, he obtained a Postgraduate Diploma in Food Science from the Catholic University of Leuven, Belgium in 1976, a Master of Science in Food Science & Microbiology from University of Strathclyde, Scotland in 1978, a PhD in Food Science from University of London, United Kingdom in 1983 and a Master of Business Administration from Universiti Kebangsaan Malaysia ("UKM") in 1987.

He began his career as a lecturer on various subjects such as food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels at the School of Chemical Science and Food Technology in UKM in 1978. His industry experience includes holding senior positions in private companies involved in food-related businesses. He has also conducted workshops for many food companies and government agencies on food quality, safety systems, food legislations and intellectual property management in the food industry since 1983. He was appointed as Managing Director of UKM Holdings Sdn Bhd in 2006 and has since resigned from that position in 2014.

He is a member of numerous national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysian Standards on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. In addition, he was the President of the Malaysian Institute of Food Technology until 2014 and was also past President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA).

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

CHAIRMAN'S STATEMENT



Dear Shareholders,

As the Chairman of the Board of Bioalpha Holdings Berhad ("Bioalpha") it is my pleasure to present our inaugural Annual Report and the Audited Financial Statements for the financial year ended 31 December 2014 ("FYE2014"). It has been an exciting year for the Group as we have been diligently preparing to be listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Despite the rapid changes Bioalpha is undergoing, the Group remains committed to achieving our corporate vision by continuing to address several key areas. Firstly, we continue to value the creation of wellness and improving the well-being of people that consume our products. Utmost is our desire to ensure that our products are of the best quality and affordable to the general public.

Secondly, we aim to harness nature and its resources by continuing to develop and expand the agricultural resources at our disposal, which includes our herb farms in Desaru, Johor and Pasir Raja, Terengganu, as well as our fermentation plant as they are integral to ensuring our supply of raw organic material.

Thirdly is our belief that the way forward is dependent on our ability to utilise new technology and our own

innovations in this area. Our R&D efforts have already shown positive and encouraging results through the creation of our ground-breaking methodology to drastically shorten the fermentation period of medicinal mushrooms.

Moving forward, we aim to continue expanding our market penetration internationally, allowing us to share our health supplement products to a much larger regional as well as global market while simultaneously helping to enhance the reputation of our traditional home-grown Malaysian herbs. We plan to consolidate our presence in Australia as well as South-East Asian markets like Indonesia, Cambodia and Hong Kong, and continue to strive to penetrate into the Middle East region. I believe that these goals are achievable, and we will continue to explore new market opportunities.

CHAIRMAN'S STATEMENT (cont'd)



FINANCIAL HIGHLIGHTS

Bioalpha achieved a revenue of RM27.12 million for the financial year ended 31 December 2014 ("FYE2014"), higher than in the previous year, netting an increase of RM2.55 million or 10.36%. Net profit for FYE2014 was recorded at RM6.30 million, compared to RM6.34 million in the financial year ended 31 December 2013 ("FYE2013"). The Group's balance sheet remains healthy, so we are optimistic with regards to our future performance.

ACHIEVEMENTS IN 2014

Bioalpha successfully implemented our proprietary liquid fermentation technology for the fermentation of medicinal mushrooms which is developed in-house. Medicinal mushrooms typically take up to one (1) year to cultivate in its original host environment (in wild form) or approximately forty (40) days via the solid state fermentation method. However, our proprietary

liquid fermentation technology, enables us to shorten the time to just five (5) days in a controlled water-based environment and the use of specially formulated mediums.

This year also saw the Group's plant in Bangi, Selangor certified as GMP compliance from MOH which affirms that we ascribe to the required standards in our manufacturing processes and facilities.

The Group successfully opened our flagship retail outlet, which features our innovative "LifeSprings" retail pharmacy concept in Solaris Mont Kiara. The Group has also entered into a MOU with MyAngkasa, which in turn is a wholly-owned subsidiary of the National Cooperative Organisation of Malaysia ("ANGKASA"), in relation to a proposed partnership to establish a chain of retail outlets based on this concept store. Pursuant to the MOU, My Angkasa has, in May 2015, invested in our subsidiary company, Alphacare Sdn Bhd, to facilitate the proposed partnership.



CHAIRMAN'S STATEMENT (cont'd)



OUTLOOK FOR 2015

According to an independent market research report by Smith Zander International Sdn Bhd ("Smith Zander"), the health supplement manufacturing industry is poised for steady growth thanks to a number of key demand drivers which includes an increasing rate of health awareness due to a higher occurrence of chronic illnesses, rapid urbanisation and an ageing society, which will subsequently motivate market acceptance of health supplements. Government strategies to increase the income per capita of Malaysians will also contribute to higher consumption of health supplements in the future. In addition, there has been an increase in health-oriented campaigns and events which promote health awareness as well as government initiatives and incentives in promoting and encouraging herbal cultivation and farming as well as health supplement manufacturing.

According to Smith Zander, health supplement consumption has demonstrated positive growth over the last five (5) years, increasing from RM2.6 billion in 2009 to RM3.15 billion in 2013 representing a compound annual growth rate ("CAGR") of 4.91%. Our fundamentals are sound, and combined with a strong shareholding profile as well as by opportunities arising from the growing health supplement market in Malaysia and globally, we are uniquely positioned to grow as we are one of the selected health supplement manufacturing industry players to undertake pre-clinical and clinical research studies for health supplements with functional or medium claims and botanical drugs.



Our appointment as an anchor company by the ECERDC to invest, develop and manage agricultural land in Pasir Raja is a positive step in this direction and has affirmed the growth potential of our business, as we are only utilising 123.5 acres currently in Phase 1 of the project, with a remainder of 879.7 acres still left to be developed under Phase 2, to grow our production capabilities exponentially and also provide employment opportunities to local workers from surrounding areas.

Following our successful listing, we will continue to ramp-up our agricultural cultivation activities as well as R&D efforts to increase our product range and promote the feasibility of the cultivation of traditional herbs locally. To this end, we are committed to ensuring that the Group's R&D initiatives remain on track and continue to break new scientific barriers.

The Group plans to pursue strategies for rapid expansion which aims to simultaneously enhance our business activities while diversifying our income streams.

APPRECIATION

It has been an eventful year which culminated in Bioalpha finally being ready to take the next step in our corporate journey towards becoming a successful listed company and I would like to commend our management team and all our employees for their tireless efforts in the lead-up to the Initial Public Offering ("IPO"). The enormity of the changes required many months of detailed planning and hard work by all those concerned.

The Board is also most grateful to our customers, suppliers, business associates, shareholders, and the relevant authorities, including the Securities Commission Malaysia and Bursa Malaysia, for their support and assistance in making our vision a reality.

CEO STATEMENT/ MANAGEMENT REVIEW



The financial year ended 31 December 14 (“FYE2014”) has been a landmark year for Bioalpha Holdings Berhad (“Bioalpha” or the “Group”), which provided us with the perfect stage to pursue our strategy to explore new frontiers and capitalise on opportunities of business as we seek to further the development of bio-economy, nationally and globally. Alongside our plans to enhance our current business operations, the Group has been actively looking to expand our market penetration in the retail sphere to diversify our income streams, and strengthen revenue stability through various initiatives which includes the expansion of our innovative “LifeSprings” pharmacy licensing concept.

BUSINESS OVERVIEW

Bioalpha’s core business is the manufacturing and sales of health supplement products as an ODM as well as under our house brands. As a health supplement company, we are involved in all levels of the value chain from the agricultural, research and development, manufacturing, marketing and retail distribution. We currently produce semi-finished formulated ingredients under our house brands, finished health supplement products as an ODM and house brands, as well as the processing and sales of processed herbs. All of our finished herbal and non-herbal supplements are recognised by MOH with registration (MAL) number.

The Group’s business operations can currently be divided into the following:

(i) Raw herbal material cultivation and liquid fermentation

Bioalpha currently has primary herb farms located at Desaru and Pasir Raja. The Desaru farm is spread over 300 acres and was developed in collaboration with J-Biotech Herbal. The farm in Pasir Raja which meanwhile spans 1,003.2 acres, is being developed in collaboration with the ECERDC which appointed us as an Anchor Company this year. Phase 1 of the project is underway utilising 123.5 acres with the first

CEO STATEMENT/MANAGEMENT REVIEW (cont'd)

harvest expected in 2015. Phase 2 of the project which entails the development of the remaining 879.7 acres of land will not only allow us to grow our production capabilities exponentially but will also provide employment opportunities to local workers from the surrounding areas. Our liquid fermentation facility is located at our Bangi plant. We have currently commercialized semi-formulated ingredients products from *Cordyceps sinensis* and *L. rhinocerus* for our customers while the fermentation process for and/or formulations from other medicinal mushroom types are on-going.

(ii) Processing and Manufacturing

The Group's manufacturing activities are undertaken in our state of the art facilities, which are recognised as GMP compliance from the MOH. Our Bangi plant is equipped with five (5) production lines catering to the product packaging forms of sachet, teabag, capsule, tablet and liquid. Our formulated ingredients and semi-finished products are typically sold to other health supplement manufacturers and distributors as active ingredients to be further processed and manufactured into finished health supplement products. We also complete the production process and manufacture finished functional

food products, finished herbal and non-herbal supplement products for a number of our ODM customers as well as for our own house brands i.e. Nushine, Apotec and Bioa.

(iii) Retail and Distribution

The finished products we manufacture under our house brands are distributed locally via our own "LifeSprings" pharmacy outlet, or to third party retail pharmacies and other food and health retail outlets across Malaysia. These products are also distributed internationally in collaboration with various distribution partners in the principal markets the Group has a presence in including Australia, Indonesia and Cambodia. Bioalpa also manufactures and delivers finished and semi-finished products to our ODM/OEM customers which include local brands as well as internationally recognised Multi-National Companies ("MNC") which then distribute them through their own distribution networks.

(iv) Research and Development ("R&D")

R&D continues to be an integral part of Bioalpa's business which allows us to develop new formulations and techniques, improve on the formulations and techniques we already possess, as well as drive the growth of Bio-economy within



CEO STATEMENT/MANAGEMENT REVIEW (cont'd)

the country. The Group has its own laboratory facility and a R&D team, comprising registered chemist, registered pharmacist, professionally qualified food technologist and nutritionists, to facilitate our development of product formulations as well as to continuously optimise our manufacturing processes.

Through our R&D activities, we have developed a number of semi-finished formulated ingredients, finished functional food products, finished herbal and non-herbal supplement products which are currently commercially available in the market. In addition, we have also established our proprietary liquid fermentation technology for the cultivation of medicinal mushrooms used in the manufacturing of our products. At present, we are in the midst of undertaking multiple R&D initiatives, which include developing “High-value herbal products”, polysaccharide based products, and other new *C. sinensis* based product formulations.

An important part of our R&D initiatives and processes is our Scientific Advisory Board (“SAB”), the members of which, provide independent advice, strategic guidance and direction on research and scientific programs. This board is comprised of local and internationally leading experts in the field of food technology, nutrition and health, life sciences and fermentation.

The SAB also advises on the pre-clinical and clinical trials activities research studies on “High-value herbal products”.

COLLABORATION WITH PARTNERS

The Group’s business is complemented and enhanced by a number of different collaborations with both international and local partners. They include government agencies, universities or educational institutions as well as reputable laboratory testing facilities as listed below:

The ECERDC appointed Bioalpha as an Anchor Company in 2014, to invest, develop and manage 1,003.2 acres of integrated herbal cluster agricultural land located at Mukim Pasir Raja land, Terengganu. Bioalpha’s participation in this initiative is aimed at assisting the Government in boosting the herbal product industry through creation of new jobs and development of human resource, alongside securing the supply of herbal plants for the manufacturing of herbal supplement products.



Bioalpha has also worked closely with the MTDC which is an investor in the Group, towards the commercialisation of the extract from Tiger Milk Mushrooms and its formulated products.

The MBC was a key partner in Bioalpha’s initiative to commercialise *C.sinensis* and its formulated products which was achieved in tandem with the expansion of the Group’s production facilities. As a testament to this healthy working relationship and in recognition of the Group’s contributions and role in undertaking value-added biotechnology activities in Malaysia, Bioalpha was awarded BioNexus status.

Bioalpha has undertaken pre-clinical and clinical research studies on “High-value herbal products” as an anchor company in the National Key Economic Area (“NKEA”) Agricultural Scheme as part of the Entry Point Project 1 (“EPP1”), under the Economic Transformation Programme (“ETP”) driven by Performance Management Delivery Unit (“PEMANDU”) of the Government of Malaysia.

The farming of herbal plants on Desaru Land, is jointly being pursued by the Group in partnership with Johor Biotechnology & Biodiversity Corporation (“J-Biotech”) via Bioalpha (Johor) Herbal Sdn. Bhd, which aims to develop the area into a regional Green Food Hub and an Agro-Tourism Centre which integrates modern biotechnology and agro culture.

CEO STATEMENT/MANAGEMENT REVIEW (cont'd)



FUTURE PLANS

Bioalpha's growth blueprint is comprised of a twin pronged strategy focused on enhancing our current operational capabilities to maximise our production output as well as extending our market presence through active new market penetration. The Group is focused on expanding our herbal farming capabilities to further develop our herb farm in Pasir Raja. The Group has completed the land clearing of 123.5 acres in Pasir Raja and commenced farming of our herbal plants thereon, with the first harvest of our herbal plants expected to be by the end of 2015.

A key improvement we are looking to incorporate will be the construction of a primary processing plant for the cleaning, drying and packing of herbs harvested from our herb farm. We have commissioned our fully-automated liquid bottling line while maintaining our rigorous Quality Control ("Q.C.") standards and adhering to Hazard Analysis and Critical Control Points ("HACCP") which is a systematic preventive approach to ensuring food safety from biological, chemical, and physical hazards in production processes.

Bioalpha is also looking to aggressively expand the retail and distribution of our products through a focused of new markets and an increase of our international exports. On the international front we will implement a number of initiatives to steadily increase our market presence in regions where we already have a foothold like Australia, Indonesia as well as Cambodia and Hong Kong.

Locally, the Group has entered into a MOU with MyAngkasa, a wholly-owned subsidiary of the National Cooperative Organisation of Malaysia. Through this collaboration, we are now able to offer our innovative "LifeSprings" retail store concept chain to over 10

thousand co-operatives & 8 million members of ANGKASA in Malaysia, with a number of stores already planned for the coming year.

Bioalpha has also entered into a MOU with the Fathima Group of Companies ("FGC") for the appointment of FGC as our distributor in UAE on 28 October 2014. Once we have completed product registrations with the relevant authorities in UAE, our products will be readily available in 25 retail outlets of FGC and will open the door to potential expansion to other countries within the Middle East allowing us to broaden our customer base, and continue to build-up the international reputation of our products.

APPRECIATION

The success Bioalpha achieved in FYE2014 was a result of the hard work and commitment of many people associated with the Group. I sincerely thank all our employees for persevering with spirit and determination while going through major organisational changes.

We would like to welcome our new shareholders, to Bioalpha and thank you for placing your trust in us. I am confident the future will provide more opportunities for us to grow the Group together.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT



Bioalpha Holdings Berhad (“Bioalpha” or the “Group”) firmly believes in giving back to the communities and environments the Group operates within, and is committed to making concentrated efforts through its Corporate Social Responsibility (“CSR”) initiatives and activities. The Group plays an active role in addressing CSR, from two (2) primary aspects, namely the community and the workplace. Ultimately Bioalpha aims to make contribution not on only through its business but by various other initiatives, to improving the quality of life of its customers, employees, and everyone around it.

COMMUNITY



In line with its goal towards making a positive contribution for those who are less fortunate, the Group organised a Hari Raya Aidilfitri celebration named Aidilfitri @ Bioalpha on 16th August 2014 at the Palm Resort Hotel, Putrajaya. Forty (40) orphans from Rumah Pengasih Anak Yatim Kajang Selangor were invited to the event where representatives of Bioalpha gave out packets of duit raya as well as special gifts to bring some smiles back on the children's faces during the auspicious celebration. We have also participated in the Misi Bantuan Mangsa Banjir Penduduk Kampung Dusun Nyior, Kampung Aur Duri, and Kampung Picho, Jajahan Kuala Krai, Kelantan.



WORKPLACE

The Board believes that the success of the Group is dependent on the ability and retention of our employees.

The health and safety of its employees is another area of concern for Bioalpha, thus the Group has implemented key training programs to not only increase awareness but also impart potentially life-saving knowledge. Through the Safety & Health Committee, a Fire Prevention Awareness Training Programme was organised in September 2014. The programme covered critical scenarios as well as appropriate actions that should be taken to safeguard both life and property in the event of a fire related emergency. Following this training programme, Bioalpha's employees are better equipped with the required knowledge and skills to address situations where fire is a hazard or danger.



Additionally, extensive training is provided to the Group's employees in the area of first aid administration and procedures. This training focuses on providing proper guidance on the provision of first aid as well as emergency treatment procedures in the event of illness or minor injury. Through initiatives like these, the severity of the impact of workplace related injuries can be alleviated, through the efficient and timely application of the learned procedures.

Bioalpha is committed to continuing its CSR efforts and contributing to those in need affirming its role as a socially responsible corporate citizen to improve the quality of life.

STATEMENT ON CORPORATE GOVERNANCE

The Board ascribes to high standards of Corporate Governance, which it believes is fundamental to the effective administration of our business and operations. By implementing sound corporate governance practices long term shareholder value can be enhanced alongside the core goal of protecting shareholder interests.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2012 ("MCCG") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2014 pursuant to Rule 15.25 of the ACE Market Listing Requirements of Bursa Securities ("AMLR").

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

The Board has full control of and is responsible for, the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls as well as investment and risk management processes. The Group's overall strategic direction, development, implementation and control remain of primary importance to the Board.

The Board is charged with leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interests of the Group. The Directors, individually and collectively, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed.

1.2 Board's Roles and Responsibilities

As per the guidelines stated in the MCCG and the Board Charter, the Board assumes the following specific functions and responsibilities: -

- a) Establishing and reviewing the strategic direction of the Group;
- b) Overseeing and evaluating the conduct of the Group's businesses;
- c) Identifying principal risks and ensure that the risks are properly managed;
- d) Establishing a succession plan;
- e) Developing and implementing an investors relations programme or shareholders communication policy; and
- f) Reviewing the adequacy of the Group's internal control policy and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The Board reserves full decision-making powers in the areas listed below:

- a) Conflict of interest issues relating to a substantial shareholder or a Director;
- b) Material acquisitions and disposition of assets not in the ordinary course of business of the Group;
- c) Investments in capital projects;
- d) Authority levels;
- e) Treasury policies;
- f) Risks Management policies; and
- g) Key human resource issues.

1.3 Code of Ethics

The Board shall be guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Board shall observe the Code of Ethics in the performance of their duties.

1.4 Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

A copy of the Board Charter is available at the Company's website.

1.5 Strategies Promoting Sustainability

The Board recognizes the importance of the role of environmental sustainability as a corporate citizen in its business approach, and always endeavours to adopt the most environmental friendly, ecological and cost effective production processes.

The Board also endeavours to develop Group objectives and strategies with regard to the Group's responsibilities to its shareholders, employees, customers and other stakeholders and ensuring the long term stability of the business, succession planning and sustainability of the environment. A Corporate Social Responsibility ("CSR") statement is also presented in page 24 of this Annual Report.

1.6 Company Secretary and Access to Information and Advice

The Company Secretary is always on hand to provide the Directors with appropriate advice and services and also to ensure that the relevant procedures are followed and rules and regulations are complied with. The Board is, from time to time, updated on changes in the law, governance and other regulatory requirements. The Company Secretary also provides the Board with information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The agenda, Board collaterals and minutes of previous meetings of the Board and its committees including minutes of Board meetings of subsidiary companies are circulated in advance to the Board, before meetings. The agenda for every meeting permits Board members to review the contents of meetings and enable the Chairman to better and more efficiently conduct proceedings during Board meetings.

Amongst others, Board collaterals include the following: -

- a) Quarterly financial report and analytical review on the Group's quarterly results;
- b) Minutes of meetings of all committees of the Board;
- c) A current review of the operations and future prospects of the Group;
- d) Reports on Related Party Transactions and Recurrent Related Party Transactions;
- e) Directors' share-dealings, including public shareholding spread;
- f) Reports from Internal and External Auditors, if any; and
- g) Annual Operational and capital budgets.

Senior Management and key personnel as well as professional and external advisors are from time to time invited to attend Board meetings to brief the Board and clarify issues on the subject matter that may be concerned. They are also responsible for providing the Board with the required information in an appropriate and timely manner.

2 STRENGTHEN COMPOSITION

2.1 Board Committees

The Board has delegated some of its responsibilities to various committees within the Board. The Board has established three (3) committees, namely the Audit Committee, Nomination Committee and Remuneration Committee (collectively referred to as "Committees"), the primary functions of which is to assist the Board in overseeing the affairs of the Group and these Committees have been entrusted with specific responsibilities and authority.

The authority and the functions of the Committees are properly set out in their respective Terms of Reference. The abovementioned Committees are authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on all matters ultimately lies with the Board as a whole. The Board receives regular reports on the respective Committees proceedings and deliberations. On matters reserved for the Board and where Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board's deliberation and endorsement.

Details of composition of the various Committees and a summary of the respective Committees terms of reference are as follows:

(i) Audit Committee ("AC")

The terms of the AC and its activities during the financial year are outlined under the Audit Committee Report from pages 42 to 44 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(ii) Nomination Committee (“NC”)

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board vacancies within the Board as well as within the Group. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

The NC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, who are as follows:-

Dr. Nik Ismail Bin Nik Daud (Independent Non-Executive Director)(Chairman)
Tan Sri Dato’ Dr. Syed Jalaludin Bin Syed Salim (Independent Non-Executive Director)
Dato’ Rosely Bin Samsuri (Non-Independent Non-Executive Director)

For this purpose, the NC meets at least once a year or at such other times as the Chairman of the NC decides.

The activities of the NC during the financial year are as follows:-

1. To identify and recommend to the Board, nominee(s) to fill in Board positions, whether to be filled by Board members, shareholders or executives. The NC also considers candidates for directorships proposed by the Board and shareholders.
2. In addition to the above, the NC also evaluates and makes recommendations to the Board, pertaining to the following:
 - Directors to fill seats on committees;
 - Review of the re-appointment of Non-Executive and Executive Directors retiring by rotation pursuant to the provisions of the Board Charter of the Group and in respective compliance with the regulations of the **AMLR**;
 - Review re-appointment of Non-Executive Directors at the conclusion of a specified term of office as recommended under the Board Charter; and
3. To assist the Board in annually reviewing the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.
4. To annually carry out the process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the Chief Executive Officer (“**CEO**”) / Managing Director of Bioalpha and to identify areas for improvement.
5. To review Management’s proposals for the appointment, dismissal, transfer and promotion of the senior-most executives in the Group.

In reviewing the performance of the Board as a whole and the contribution of the Chairman and individual Directors, performance was assessed and measured against, amongst others, the Group’s strategic plan, principal duties expected of the Board, the Chairman and individual Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution. Self-assessment enables the Board to effectively and collectively identify opportunities to improve processes.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The evaluation process takes into account whether:

- Adequate time has been allocated by Non-Executive Directors on matters pertaining to the Group's operations;
- Full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
- Review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;
- Appropriate recommendations have been made to the Board for the re-election/reappointment of Non-Executive Directors; and
- Review of the leadership needs of the Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.

(iii) Remuneration Committee ("RC")

The RC is responsible for developing Bioalpha's remuneration policy framework and determining the remuneration package of the Group's Directors and ensure that compensation is competitive and consistent with the Group's business strategy and long-term objectives

The RC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, who are as follows:-

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Independent Non-Executive Director)(Chairman)
Dr. Nik Ismail Bin Nik Daud (Independent Non-Executive Director)
Dato' Norhalim Bin Yunus (Non-Independent Non-Executive Director)

The remuneration packages are structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors depends on their contribution to the Group in terms of their knowledge and experience. The RC recommends to the Board the policy framework of executive remuneration and its cost, and the remuneration package for each executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors.

For this purpose, the RC meets at least once a year or at such other times as the Chairman of the RC decides. The activities of the RC during the financial year are as follows:-

1. To review and recommend to the Board of Bioalpha, the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary.
2. To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors.
3. To recommend to the Board any performance related pay schemes for Executive Directors.
4. To review Executive Directors' scope of service contracts.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

2.2 Directors' Remuneration

Details of Director's remuneration are set out below and in note 23 to the financial statements.

- (a) Aggregate remuneration of Director categorized into appropriate components.

	Fee RM'000	Salary & *Other Emoluments RM'000	Total RM'000
Executive Directors	–	694	694
Non-Executive Directors	333	–	333

* Other emoluments include bonus and the Company's contribution to the Employer Provident Fund.

- (b) The remuneration paid to Directors during the year analyzed into bands of RM50,000, which complies with the disclosure requirements under the AMLR as follows:-

The number of Directors whose remuneration fell within the following bands is shown below:

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Up to RM50,000	–	5
RM150,001 and above	3	–

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCGG 2012.

2.3 Supply of information

The Board members were presented with comprehensive information concerning the performance and financial status of the Company at the Board meetings. Each Director was provided with the agenda and a full set of the Board papers prior to each Board meeting with the aim of enabling the Directors to make fully informed decision at the Board meetings.

All directors have access to all information within the Group as well as the advices and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary in discharge of their functions. Where necessary, the directors may engage independent professionals at the Group's expense on specialized issues to enable the directors to discharge their duties with adequate knowledge on the matters deliberated.

The proceedings and resolutions reach at each Board meeting are recorded in the minutes of the meetings, which are kept in the minutes book at the registered office. Besides Board meetings, the Board also exercises control on matters that require Boards' approval through the circulation of Director's Resolutions.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

2.4 Appointment to the Board

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board vacancies at any given time. The NC will make these recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, relevant industry related persons of note, recruiting firms and others. The NC is also responsible for the appointment, dismissal, transfer and promotion for senior-most executives in the Group.

Apart from assisting the Board in carrying out annual reviews on the mix of skills and experience, contributions and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the Managing Director/CEO of Bioalpha and identify areas for improvement and change. The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.

2.5 Re-election of Directors and re-appointment of Directors who are over the age of 70

All Directors including the Executive Director are subject to retirement by rotation at least once in every 3 years and are eligible for re-election. In accordance with the AMLR, at least 1/3 of the Directors shall retire from office at each Annual General Meeting ("AGM"), provided always that all Directors shall retire from office once at least in each 3 years. The retiring Directors being eligible for re-election, may offer themselves for re-election. Any new Director appointed during the financial year to fill a casual vacancy or as an addition to the existing Directors shall only hold office until the next AGM of the Company and shall then be eligible for re-election as stipulated.

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years become vacant at every AGM unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

2.6 Gender Diversity

The Board has not set a gender diversity targets as of the reporting period as it is of the view that Board membership should be determined based on a candidate's skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable.

The Board believes that candidature to the Board should be based on a candidate's merits but in line with the MCGG, the Board will consider integrating more females onto the Board in due course to bring about a more diverse perspective.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

3 REINFORCE INDEPENDENCE

3.1 Assessment of Independent Directors Annually

The Board, through the NC, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Among the criteria considered for independency includes: ability to exercise independent comments, judgment, and contribution constructively at all times for an effective Board. The relationship between the Independent Directors with substantial shareholders, Executive Directors, persons related to the Executive Director/Major Shareholder, business transactions with the Group and their tenure of office will also be reviewed.

The NC had reviewed the independence of the Independent Directors for financial year ended 31 December 2014 and is satisfied with the independency demonstrated.

3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the current independent Board members had served the Company for more than nine (9) years as per the recommendations of the MCCG. Should the tenure of an Independent Director exceed nine (9) years, shareholders' approval will be sought at an AGM or if the services of the Director concerned are still required, the Director concerned will be re-designated as a Non-Independent Director.

3.4 Roles of Independent Non-Executive Chairman, Managing Director and Executive Directors

There is a clear segregation of duties between the Chairman of the Board and the Managing Director/CEO and Executive Directors so as to ensure that there is always a balance of power and authority. Essentially, the Chairman has the obligation to preside at various meetings, namely the general meetings of shareholders, Board and AC meetings in order to address issues to be highlighted by and to members independently, whilst the Managing Director and Executive Directors have the responsibility to manage the day-to-day business operations of the Group by ensuring that strategies, policies and matters approved by the Board and other committees are implemented diligently.

There is also a balance in the Board with the presence of the Independent Non-Executive Directors of the necessary caliber and experience to carry sufficient weight in Board decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgment to take into account the interests of the Group, shareholders, employees and communities in which the Group conducts its business.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

3.5 Board Balance

The Board comprises of a mix of qualified and experienced Directors with diverse experience, background and expertise. Currently, the Board consists of nine (9) members, as designated below:

- 1 Independent Non-Executive Chairman
- 1 Managing Director/CEO
- 2 Executive Directors
- 2 Non-Independent Non-Executive Directors
- 3 Independent Non-Executive Directors

The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations, as well as help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are taken into consideration by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

While the Managing Director/ CEO and the Executive Directors are responsible for representing the views of the management of the Group, senior executives may be present to further represent these interests.

The Board did not appoint a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Chairman of the Board encourages the active participation of every Board member in the decision making process.

The Company had complied with the requirement of the Rules 15.02 of the AMLR to have one third (1/3) of its members make up of Independent Non-Executive Director as well as for a director who is a member of the Malaysia Institute of Accountants to sit in the AC. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the NC and RC regularly reviews the composition of the Board and Board Committees.

A brief profile of each director is presented in pages 11 to 16 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

4 FOSTER COMMITMENT

4.1 Board Meeting and Attendance

The Board met on five (5) occasions during the financial year ended 31 December 2014. The attendance of the Board members at these meetings is as follows:

Name of Directors	Attendance	Percentage of Attendance
Tan Sri Abdul Rahman Bin Mamat	5/5	100%
Hon Tian Kok @ William	5/5	100%
Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir	5/5	100%
Ho Tze Hiung	5/5	100%
Dato' Norhalim Bin Yunus	3/5	60%
Dato' Rosely Bin Samsuri	3/5	60%
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Appointed w.e.f. from 8 July 2014)	1/2	50%
Dr. Nik Ismail Bin Nik Daud	5/5	100%
Mohd Nasir Bin Abdullah (Appointed w.e.f from 12 February 2015)	N/A	N/A

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

4.2 Supply of Information for Meeting

In order for the Board to discharge its responsibilities efficiently, all quantitative and qualitative information on the Group's performance is provided for the Board's review on a regular basis. Updates on operational, financial, corporate issues and strategic matters as well as current development of the Group which require the Board members' attention are disseminated promptly. Prior to a Board meeting, agenda and comprehensive Board papers containing relevant reports and material information will be distributed to Directors timely for their perusal to enable them to participate effectively in meeting for an effective Board discussion and decision process. The Directors may seek further explanation or clarification on issues before or during the proceedings of the meeting.

4.3 Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") conducted as required by Bursa Malaysia.

Directors' training is an on-going process as Directors recognise the need to continually develop and refresh their knowledge and skills, and to update themselves on developments in the industry and business landscape both domestically and internationally.

The Directors are encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates in including seminars, briefing and advocacy sessions and training programmes which are considered as relevant and useful and would strengthen their contribution to the Group.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Save as disclosed below and pursuant to the on-going listing process of Bioalpha ("BHB") on the AMLR, none of the other Directors have attended training programmes during the financial year ended 31 December 2014.

Name of Director	Training Programme
Tan Sri Abdul Rahman Bin Mamat	<ul style="list-style-type: none"> • Hiap Teck Venture Berhad In-house Directors' Training on Corporate Governance Principles and Recommendations Compliance • Bursa Malaysia – Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) – An update • The Lion Group In-house Directors' Training on: <ul style="list-style-type: none"> (i) Islamic Finance for Public Listed Companies (ii) Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila – Islamic and Alternative Markets
Hon Tian Kok @ William	<ul style="list-style-type: none"> • Seminar on Application of Malaysian Standards on Herbs for Local and Export Market • Global Bridge Malaysia Enhanced Commercialisation Assistance Programme (CAP) • Malaysian Herbal Research and Business Accelerator • World Islamic Economy Forum • OIC World Business 2014 • Unlocking The Leader In You
Dato Seri' Syed Zainal Abidin	<ul style="list-style-type: none"> • World Islamic Economy Forum • OIC world Business 2014 • Unlocking The Leader In You
Ho Tze Hiung	<ul style="list-style-type: none"> • Unlocking The Leader In You • Malaysian Herbal Research and Business Accelerator
Dato' Norhalim Bin Yunus	<ul style="list-style-type: none"> • Globetronics Technology Berhad In-house Directors' Training on: <ul style="list-style-type: none"> (i) Good And Services Tax Forum 2014 (ii) 2014 Regional Manufacturing Conference : Manufacturing the Future - Agenda for Revitalising Penang Manufacturing Sector (iii) GST Synergization Tutorial for Manufacturing Sector • World Islamic Economy Forum
Dato' Rosely Bin Samsuri	<ul style="list-style-type: none"> • Tatt Giap Group Berhad In-house Directors' Training on: <ul style="list-style-type: none"> (i) 2014 Continuous Director Education • Good And Services Tax
Dr. Nik Ismail Bin Nik Daud	<ul style="list-style-type: none"> • Food safety Programme at Michigan State University
Encik Nasir Bin Abdullah	<ul style="list-style-type: none"> • Goods and Services Tax Seminar

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa, the annual financial statements of the Group and Company as well as the Chairman's statement and Management Review of the Group's operations in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board in discharging its duties with regards to financial reporting, the Board established an AC as outlined in pages 42 to 44 of the Annual Report. One of the key responsibilities of the AC in its specific terms of reference is to ensure that the financial statements of the Group comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Group. Accordingly, the AC, which assists the Board in overseeing the financial reporting process of the Group, will formalize and adopt a policy for the types of non-audit services permitted to be provided by the external auditors, including the need for the AC's approval in writing before such services can be provided by the external auditors. To address the "self-review" threat faced by the external audit firm, the procedures to be included in the policy require the engagement team conducting the non-audit services to be different from the external audit team.

In assessing the independence of external auditors, the AC requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

5.1 Compliance with Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board takes the responsibility to present a balanced and meaningful assessment of the Group's position and prospects, and to ensure that the financial statements are drawn up in accordance with the provision of Companies Act, 1965 and applicable accounting standards in Malaysia. The AC assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to the AMLR is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the AC has been assured that no material issues or major deficiencies have been detected which pose a high risk to the overall internal controls under review.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the AC. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the AC Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee Report is set out in pages 42 to 44 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

6 RECOGNISE AND MANAGE RISKS

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represent the key elements of the Group's risk management and internal control structure:

- a. An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- b. Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
- c. Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment.
- d. Active participation and involvement by the Group Managing Director and Non-Independent Executive Directors in the day-to-day running of the major business and regular discussions with the senior management of smaller business units on operational issues; and
- e. Monthly financial reporting by the subsidiaries to the holding company.

Recognising the importance of having risk management processes and practices, the Board has formalised a clear strategy to identify and manage the major or significant operational, financial and market risks associated with the Group's business which is outlined in pages 40 to 41 of this annual report

7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board will formalize pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the AMLR, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Group's website, where information on the Group's announcements to the regulators, the Board Manual, rights of shareholders and the Group's Annual Report may be accessed.

Sufficient information would be provided to the Company Secretary for drafting of necessary announcements. The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relation section enhances the Investor Relations function by including all announcements made by the Company. The announcements of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meeting

The AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Bioalpha's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general.

The Notice of AGM is circulated to shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. All the resolutions set out in the Notice of the AGM are put to vote by a show of hands. The outcome of the AGM is then announced to Bursa on the same meeting day.

8.2 Encourage Poll Voting

On poll voting, the Board is of the opinion that with the current level of shareholders' attendance at general meetings, voting by way of a show of hands continues to be efficient. During the general meetings, the Chairman of the meeting shall remind all members present about their right to demand for a poll in accordance with the provisions of the Articles of Association of the Company in the voting on any resolutions. Currently, all resolutions put forth for the shareholders' approval are carried out by a show of hands, unless a poll is demanded or specifically required.

8.3 Investor Relations and Shareholder engagement

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors and to disseminate the Group's performance and any significant developments to ensure that they are informed of all material business matters in a timely manner.

Different channels of communication are optimised to ensure that clear, relevant and effective communication is facilitated. Presently, the Board and management of Bioalpha communicate regularly with its shareholders and stakeholders through the following mediums:

1. *Bursa Malaysia Securities Berhad Announcements*

The Board ensures timely announcements of financial results on a quarterly basis as well as significant corporate developments are made to Bursa Malaysia.

2. *Official Bioalpha Website*

The Group has a website (www.bioa.net) which provides information on Bioalpha for all shareholders and the general public.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement, and considers that the Statement provides the information necessary to enable shareholders to evaluate how the Code has been applied. The Board considers and is satisfied that the Group has fulfilled its obligation under the MCGG, the AMLR and all applicable laws and regulations throughout the financial year ended 31 December 2014.

This Statement is made in accordance with a resolution of the Board of Directors dated 11 May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Respect of the Audited Financial Statements

The Directors are required to lay before the Group at its AGM, the financial statements, which includes the consolidated statement of financial position and the consolidated statement of comprehensive income of the Bioalpha and the Group for each financial year made out in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965. This is also in line with AMLR.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of Bioalpha and the Group as at the completion of the financial year ended 31 December 2014.

The financial statements of Bioalpha and the Group for the financial year under review are set out from pages 47 to 111 of this Annual Report.

During the preparation of financial statements, the Directors have considered the following:-

- Appropriate accounting policies have been used and are consistently applied;
- Reasonable and prudent judgments and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are required under the Companies Act, 1965 to ensure that Bioalpha keeps accounting records which disclose with reasonable accuracy the financial position of the Group and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

A. INTRODUCTION

The Board of Directors (“**Board**”) of Bioalpha Holdings Berhad (“**Bioalpha**” or the “**Group**”) is pleased to make the following statement on internal control which outlines the key elements of the internal control system within the Group. The Risk Management and Internal Control Statement is made in compliance with Rule 15.26(b) of **AMLR** and “Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers” issued by Bursa Malaysia.

B. BOARD RESPONSIBILITY

The Board acknowledges its responsibilities to maintaining a sound system of internal control to safeguard shareholders’ investments and the Group’s assets and for reviewing the adequacy and integrity of the system. Notwithstanding, due to the limitations that are inherent in any system of internal control, Group’s internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement of loss.

The Board has received assurance from the Managing Director, Executive Directors and management of the Company that the Group’s risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

C. RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group’s business operations and that the identification and management of risks will affect the achievement of the Group’s business objectives. The Board is thus committed to continually promote the culture of risk awareness and builds the necessary knowledge in identifying, evaluating, mitigating, monitoring and managing the significant risks on an on-going basis. In discharging its responsibilities, the Board has taken into account the guidance of the MCGG 2012.

The key risk management initiatives undertaken include among others:

- (i) The responsibilities of the Board and the Management are clearly defined in the organisational structure to ensure the effective discharge of the roles and responsibilities of the parties in overseeing the conduct of the Group’s business.
- (ii) Formation of operational policies and procedures by the Management with a view of establishing group wide operational standards in order for all operating units to work cohesively towards achieving the business objectives of the Group. For accounting systems and financial processes, efforts are being taken to ensure consistency in the Group as a whole.
- (iii) Frequent on-site visits to the operating units by senior management so as to acquire a first-hand view on various operational matters and addressing the issues accordingly.
- (iv) The Board gathers and reviews key financial and operating statistics on a monthly basis and constantly keep track and monitor the achievement of the Group’s performance.
- (v) Regular visit by internal auditors which provide independent assurance on the effectiveness of the Group’s system of internal control and advising the Management on the areas for further improvement.
- (vi) The Audit Committee (“**AC**”) reviews on a quarterly basis the quarterly unaudited financial results to monitor the Group’s progress towards achieving the Group’s business objectives. Authority is given to the AC members to investigate and report on any areas of improvement for the betterment of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

- (vii) Regular interactive meetings between the external and internal auditors to identify and rectify any weakness in the system of internal controls. The Board on a timely basis would be informed of any matters brought up in the AC meetings.

D. SYSTEM OF INTERNAL CONTROLS

The Board acknowledges its overall responsibility for maintaining a system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. The size and complexity of the operations may give rise to risks of unanticipated or unavoidable losses.

The system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. AC reviews the effectiveness of the system of internal controls, which covers financial, operational and compliance controls, and also risk management.

E. ACCOUNTABILITY & AUDIT

The Board endeavours to present a balance and clear assessment of the Group's financial position and prospects through unaudited quarterly financial reporting via the Bursa Malaysia Securities Berhad, annual audited financial statements, the Chairman Statement and Management Review in the annual reports.

The AC reviews the quarterly financial statements and the annual financial statements before they are submitted to the Board for approval. A statement of the Directors' responsibilities for preparing the financial statements is set out on page 39 of this annual report.

F. BOARD CONCLUSIONS

The Board is satisfied that, during the year under review, the existing system of internal controls is sound and adequate to safeguard the Group's assets at the existing level of operations of the Group. The Board recognizes that the development of internal control system is an ongoing process. Therefore, in striving for continuous improvement, the Board will continue to take appropriate action plans to further enhance the Group's system of internal control.

Pursuant to Rule 15.23 of the AMLR, the External Auditors have reviewed this Risk Management and Internal Control Statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2014 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This statement is made in accordance with the resolution of the Board dated 11 May 2015.

AUDIT COMMITTEE REPORT

COMPOSITION

The AC was established with the primary objective of assisting the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes, and management and financial reporting practices of the Group.

In compliance with AMLR, the AC comprises three (3) directors, whom are Non-Executive Directors.

Chairman

Mohd Nasir Bin Abdullah - Independent Non-Executive Director

Members

Dato' Rosely Bin Samsuri – Non-Independent Non-Executive Director

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim - Independent Non-Executive Director

DETAILS OF ATTENDANCE

Members	Attendance
Mohd Nasir Bin Abdullah (Chairman) (Appointed w.e.f. 12 February 2015)	N/A
Dato' Rosely Bin Samsuri (Appointed w.e.f. 26 February 2014)	4/4
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Appointed w.e.f. 8 July 2014)	1/2
Dr. Nik Ismail Bin Nik Daud (Resigned as AC w.e.f. 3 April 2015)	4/4

The Salient Terms of Reference of the AC are set out below:

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

In accordance with its Terms of Reference, the AC undertook the following activities:

- Assisted the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group in accordance with financial reporting standard in Malaysia.
- Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed upon reporting timeframes for the audit of the financial statements.
- Reviewed the external audit reports and discussed any problems and reservations arising thereon.
- Reviewed the internal audit plan, methodology, functions and resources.
- Reviewed major findings on internal audit reports and management response.
- Reviewed the related party transactions entered into by the Group with related parties.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF ACTIVITIES

During the financial year under review, the AC had held four (4) meetings and the following activities were undertaken:-

- (i) Reviewed the quarterly unaudited financial results announcement of the Group and the annual audited financial statements prior to the Board of Directors' approval and subsequent announcements therefrom;
- (ii) Reviewed and discussed to satisfy itself that related parties' transactions represent arms length transactions that were entered into in the normal course of business and not detrimental to the minority shareholders' interest;
- (iii) Reviewed with the external auditors on their scope of work and audit plan for the year;
- (iv) Reviewed the Group's compliance with the relevant financial reporting standards and other relevant legal and regulatory requirements.
- (v) Considered and recommended the trainings for Board.
- (vi) Reviewed the enterprise risk management framework and the effectiveness of the system of internal control of the Group; and
- (vii) Reviewed the audit fees payable to external auditor.

Functions

The AC functions are to review, evaluate and report to the Board on these following matters:

1. Consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal.
2. Discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination if more than one audit firm is involved.
3. Review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on :-
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements
4. Discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of Management where necessary), and to review the external auditors' management letter and Management's response.
5. Ensure that the Internal Audit ("IA") function is effectively carried out by relevant parties by ensuring:
 - The adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - The internal audit programme and its processes are carried to completion, and the subsequent results or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit functions

AUDIT COMMITTEE REPORT (cont'd)

8. Review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group.
9. Consider any related party transactions that may arise within the Group.

Without limiting the generality of the above functions, the AC may consider such other matters as directed or defined by the Board, from time to time.

Meetings, Quorum And Procedures

1. The AC meets on a quarterly basis to carry out its functions although additional meetings may be called at any time as and when necessary.
2. The quorum consists of a majority of Independent Non-Executive Directors and shall not be less than two (2).
3. The AC may invite such other senior management of the Company, including but not limited to the CEO /Managing Director, the Financial Controller and relevant component members of the IA function to attend the meeting, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the meeting to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the AC on significant audit and accounting areas which they noted in the course of their audit.
4. The AC shall meet with the external auditors, a minimum of four (4) times during the year under review and without the presence of the Management of the Company and or the Group.
5. The AC shall decide on its own administrative procedures to effectively discharge its responsibilities

Reports/Minutes

Minutes of each meeting are kept by the Company Secretary as evidence that the AC has discharged its functions.

The Chairman of the AC reports to the Board after each meeting. The approved minutes of AC meetings are forwarded to Board members for their information and accordingly significant issues may be further discussed at Board meetings.

INTERNAL AUDIT FUNCTION

In 2015, the Group is planning to outsource its internal audit function to an independent professional firm, which assists the AC in discharging its duties and responsibilities. The Internal Auditors' roles is to report to the AC on the improvement of the organisation's management controls, records, accounting policies, as well as on the identification and management of significant risk.

Besides that, the internal audit functions also include among others the review of the compliance with established procedures, guideline and statutory requirements as well as assessing the efficiency of the Group's operations.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in accordance with the AMLR of Bursa Securities:

1. UTILISATION OF PROCEEDS

In conjunction with Bioalpha's listing on the ACE Market of Bursa Malaysia, Bioalpha has undertaken a public issue of 100,000,000 new ordinary shares of RM0.05 each in Bioalpha ("Shares"), representing approximately 21.58% of the Bioalpha's enlarged issued and paid-up share capital, at an issue price of RM0.20 per Share.

Bioalpha was successfully admitted to the Official List of Bursa Malaysia on 14 April 2015 with the listing of and quotation for its entire enlarged issued and paid-up share capital of RM23,170,655.70 comprising 463,413,114 Shares on the ACE Market of Bursa Malaysia.

The gross proceeds from the IPO amounting to RM20 million is intended to be utilised in the following manner:

Purpose	RM'000	%	Estimated Time Frame for Utilisation
Capital expenditure	3,000	15.00	Within 24 months
Research & development expenditure	3,000	15.00	Within 24 months
Repayment of bank borrowings	2,620	13.10	Within 12 months
Working capital	9,080	45.40	Within 24 months
Estimated listing expenses	2,300	11.50	Upon Listing
Total	20,000	100.00	

2. DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any Depository Receipt Programme.

3. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

4. NON-AUDIT FEES

The non-audit fees paid by our Group to the external auditors, Messrs UHY, during the financial year were RM60,000 in relation to their role as Reporting Accountants for our listing on the ACE Market of Bursa Malaysia Securities Berhad.

5. VARIATION IN RESULTS

There was no variance of 10% or more from the announced unaudited financial results and the audited financial results of the Group for the financial year ended 31 December 2014.

6. PROFIT GUARANTEES

During the financial year, there were no profit guarantees given by the Group.

ADDITIONAL COMPLIANCE INFORMATION

(cont'd)

7. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

8. CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

9. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no issuances of options, warrants or convertible securities during the financial year.

10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no material Recurrent Related Party Transactions of a revenue or trading nature during the financial year.

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DIRECTORS REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	6,297,012	537,166
Attributable to:		
Owners of the parent	6,432,590	537,166
Non-controlling interests	(135,578)	–
	6,297,012	537,166

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the last financial year, a first interim single tier tax exempt dividend of 1.3% on 363,413,114 ordinary shares of RM0.05 each, amounting to a total dividend of RM475,000 in respect of financial year ended 31 December 2014 was paid on 1 November 2014 and 5 January 2015.

The Board of Directors does not recommend any final dividend in respect of the financial year under review.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares or debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS REPORT (cont'd)

DIRECTORS

The Directors in office since the date of the last report are as follows:

Tan Sri Abdul Rahman Bin Mamat	
Hon Tian Kok @ William	
Ho Tze Hiung	
Dr Nik Ismail Bin Nik Daud	
Dato' Norhalim Bin Yunus	
Dato' Sri Hj. Syed Zainal Abidin B Syed Mohammad Tahir	
Dato' Rosely Bin Samsuri	
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	(appointed on 8.7.2014)
Mohd Nasir Bin Abdullah	(appointed on 12.2.2015)
Dato' Sri Yong Seng Yeow	(resigned on 5.8.2014)

DIRECTORS' INTERESTS

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

	No. of ordinary shares of RM0.05 each			
	At 1.1.2014	Acquired	Sold	At 31.12.2014
Interest in the Company				
Direct interest				
Hon Tian Kok @ William	122,103,560	—	—	122,103,560
Dato' Sri Hj. Syed Zainal Abidin B Syed Mohammad Tahir	3,643,037	—	—	3,643,037

By virtue of his interest in the shares of the Company, Hon Tian Kok @ William is also deemed to have interests in the shares of all the subsidiary companies to the extent the Company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS REPORT

(cont'd)

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.
- (d) In the opinion of Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
 - (ii) the result of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS REPORT

(cont'd)

SIGNIFICANT EVENT

The significant event is disclosed in Note 34 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 35 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2015.

HON TIAN KOK @ WILLIAM

HO TZE HIUNG

KUALA LUMPUR

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 55 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2015.

HON TIAN KOK @ WILLIAM

HO TZE HIUNG

KUALA LUMPUR

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, HON TIAN KOK @ WILLIAM, being the Director primarily responsible for the financial management of Bioalpha Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 111 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on 13 April 2015)

HON TIAN KOK @ WILLIAM

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

**to the Members of Bioalpha Holdings Berhad
(Company No. 949536-X)
(Incorporated in Malaysia)**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 111.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT **to the Members of Bioalpha Holdings Berhad** (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

Firm Number: AF 1411
Chartered Accountants

NG WEE TEIK

Approved Number: 1817/12/16 (J)
Chartered Accountant

KUALA LUMPUR
13 April 2015

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Non-Current Assets					
Property, plant and equipment	4	24,302,859	17,369,326	944	1,049
Investment in subsidiary companies	5	–	–	12,719,130	12,719,130
Development expenditures	6	8,076,159	5,527,436	–	–
		32,379,018	22,896,762	12,720,074	12,720,179
Current Assets					
Inventories	7	4,061,491	2,926,575	–	–
Trade receivables	8	12,829,703	12,970,767	–	–
Other receivables	9	7,274,313	10,098,990	684,853	–
Amount owing by subsidiary companies	10	–	–	16,989,009	8,476,609
Tax recoverable		68,026	–	–	–
Fixed deposits with licensed banks	11	1,115,786	9,089,417	–	8,360,000
Cash and bank balances		8,706,259	1,832,008	6,437	113,868
		34,055,578	36,917,757	17,680,299	16,950,477
Total Assets		66,434,596	59,814,519	30,400,373	29,670,656

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2014
(cont'd)

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Equity					
Share capital	12	18,170,656	18,170,656	18,170,656	18,170,656
Share premium	13	11,556,808	11,556,808	11,556,808	11,556,808
Merger deficits	14	(4,969,130)	(4,969,130)	–	–
Retained earnings/ (Accumulated losses)		29,649,920	23,692,330	(87,964)	(150,130)
Equity attributable to owners of the parent					
		54,408,254	48,450,664	29,639,500	29,577,334
Non-controlling interests		(128,178)	7,400	–	–
Total Equity		54,280,076	48,458,064	29,639,500	29,577,334
Non-Current Liabilities					
Finance lease payables	15	288,827	566,423	–	–
Bank borrowings	16	2,252,713	2,477,520	–	–
Deferred tax liabilities	17	1,936,735	1,553,100	–	–
		4,478,275	4,597,043	–	–
Current Liabilities					
Trade payables	18	392,340	1,246,635	–	–
Other payables	19	5,762,414	4,284,366	749,486	92,273
Amount owing to a Director	20	22,119	98,472	1,049	1,049
Finance lease payables	15	274,122	257,359	–	–
Bank borrowings	16	1,209,937	826,089	–	–
Tax payables		15,313	46,491	10,338	–
		7,676,245	6,759,412	760,873	93,322
Total Liabilities		12,154,520	11,356,455	760,873	93,322
Total Equity and Liabilities		66,434,596	59,814,519	30,400,373	29,670,656

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Financial Year ended 31 December 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Revenue	21	27,114,575	24,569,586	-	-
Cost of sales		(13,908,881)	(11,841,665)	-	-
Gross profit		13,205,694	12,727,921	-	-
Other income		4,592,604	1,306,121	966,353	401,315
Administration expenses		(10,776,346)	(6,144,065)	(382,775)	(365,945)
Finance costs	22	(235,763)	(350,298)	-	-
Profit before taxation	23	6,786,189	7,539,679	583,578	35,370
Taxation	24	(489,177)	(1,201,397)	(46,412)	-
Net profit for the financial year, representing total comprehensive income for the financial year		6,297,012	6,338,282	537,166	35,370
Net profit for the financial year attributable to:					
Owners of the parent		6,432,590	6,294,259	537,166	35,370
Non-controlling interests		(135,578)	44,023	-	-
		6,297,012	6,338,282	537,166	35,370
Earnings per share	25				
Basic (sen)		1.77	2.22		
Diluted (sen)		NA	NA		

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

for the Financial Year ended 31 December 2014

Attributable to Owners of the parent

STATEMENTS OF CHANGES IN EQUITY
for the Financial Year ended 31 December 2014
(cont'd)

Company	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 January 2013		12,719,150	–	(185,500)	12,533,650
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	35,370	35,370
Transaction with owners					
Issued of ordinary shares	12, 13	5,451,506	11,556,808	–	17,008,314
At 31 December 2013		18,170,656	11,556,808	(150,130)	29,577,334
At 1 January 2014		18,170,656	11,556,808	(150,130)	29,577,334
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	537,166	537,166
Transaction with owners					
Dividends to owners of the Company	26	–	–	(475,000)	(475,000)
At 31 December 2014		18,170,656	11,556,808	(87,964)	29,639,500

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

STATEMENTS OF CASH FLOWS

for the Financial Year ended 31 December 2014

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash Flows From Operating Activities				
Profit/(loss) before taxation	6,786,189	7,539,679	583,578	35,370
Adjustments for:				
Allowance for impairment loss on trade receivables	125,273	—	—	—
Amortisation of development expenditures	966,926	443,876	—	—
Bad debts written off	1,700	633	—	—
Corporate expenses written off	—	550,271	—	—
Dividend income from a subsidiary company	—	—	(475,000)	—
Depreciation of property, plant and equipment	2,397,984	2,095,237	105	—
Gain on disposal of property, plant and equipment	—	(43,400)	—	—
Grant income	(4,226,773)	(791,152)	—	—
Interest expenses	235,763	350,298	—	—
Unrealised gain on foreign exchange	—	(146,770)	—	—
Interest income	(204,397)	(67,945)	(131,353)	(41,315)
Operating profit/(loss) before working capital changes	6,082,665	9,930,727	(22,670)	(5,945)
Changes in working capital:				
Inventories	(1,134,916)	(1,616,250)	—	—
Trade receivables	14,091	(189,031)	—	—
Other receivables	1,078,262	(2,292,146)	(684,853)	—
Trade payables	(854,295)	(687,593)	—	—
Other payables	761,648	574,136	431,119	6,273
Amounts owing by subsidiary companies	—	—	(8,512,400)	(8,576,109)
Amounts owing to a Director	(76,353)	58,436	—	1,049
	(211,563)	(4,152,448)	(8,766,134)	(8,568,787)

STATEMENTS OF CASH FLOWS
for the Financial Year ended 31 December 2014
(cont'd)

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Cash generated from/(used in) operations		5,871,102	5,778,279	(8,788,804)	(8,574,732)
Interest paid		(235,763)	(350,298)	–	–
Interest received		204,397	67,945	131,353	41,315
Tax paid		(204,746)	(316,278)	(36,074)	–
Tax refunded		–	27,055	–	–
		(236,112)	(571,576)	95,279	41,315
Net cash from/(used in) operating activities		5,634,990	5,206,703	(8,693,525)	(8,533,417)
Cash Flows From Investing Activities					
Additional of development expenditure	6	(3,515,649)	(4,755,203)	–	–
Purchase of property, plant and equipment	4(d)	(3,417,517)	(3,727,739)	–	(1,049)
Dividend received		–	–	475,000	–
Deposits paid for purchase of property, plant and equipment		(4,167,585)	(5,797,375)	–	–
Net cash (used in)/from investing activities		(11,100,751)	(14,280,317)	475,000	(1,049)
Cash Flows From Financing Activities					
Net changes on banker's acceptance		6,018	(156,018)	–	–
Dividend paid		(248,906)	–	(248,906)	–
Drawdown of term loans		–	199,800	–	–
Grant received		4,717,079	1,928,034	–	–
Increased in fixed deposits pledged		(86,369)	(23,229)	–	–
Proceeds from issued of ordinary shares		–	17,008,314	–	17,008,314
Repayment of finance lease payables		(260,833)	(390,574)	–	–
Repayment of term loans		(230,130)	(208,524)	–	–
Net cash from/(used in) financing activities		3,896,859	18,357,803	(248,906)	17,008,314

STATEMENTS OF CASH FLOWS
for the Financial Year ended 31 December 2014
(cont'd)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Net (decrease)/increase in cash and cash equivalents	(1,568,902)	9,284,189	(8,467,431)	8,473,848
Effect of exchange rate changes	–	146,770	–	–
Cash and cash equivalents at beginning of the financial year	10,192,008	761,049	8,473,868	20
Cash and cash equivalents at end of the financial year	8,623,106	10,192,008	6,437	8,473,868
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	8,706,259	1,832,008	6,437	113,868
Fixed deposits with licensed banks	1,115,786	9,089,417	–	8,360,000
	9,822,045	10,921,425	6,437	8,473,868
Less: Fixed deposits pledged with licensed banks	(815,786)	(729,417)	–	–
Less: Bank overdraft	(383,153)	–	–	–
	8,623,106	10,192,008	6,437	8,473,868

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public company limited by shares, incorporated in Malaysia under the Companies Act, 1965 and is domiciled in Malaysia.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 5. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 10, Jalan P/9A, Seksyen 13, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards and IC interpretation

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

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Adoption of above amendments to MFRSs and IC Interpretation did not have any significant impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Standards issued but not yet effective (cont'd)

The initial application of the abovementioned MFRSs is not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values have been rounded to the nearest RM.

(c) Significant accounting judgments, estimates and assumptions

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

(i) Judgments

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgments, estimates and assumptions (cont'd)

(ii) Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 4 to the financial statements.

Impairment of property, plant and equipment and deferred development costs

The Group assesses whether there is any indication that property, plant and equipment and deferred development costs are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment.

The impairment assessment on property, plant and equipment and deferred development costs are disclosed in Notes 4 and 6 to the financial statements respectively.

Impairment of investment in subsidiary companies

The Company carried out the impairment test based on the estimation of the higher of the value-in-use or the fair value less cost to sell of the cash-generating units to which the investments in subsidiary companies belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgments, estimates and assumptions (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. Details of development costs are disclosed in Note 6 to the financial statements.

If product already marketed:

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the Directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate.

If product yet to be marketed:

This amount includes significant investment in the development of an innovative fire prevention system. Prior to being marketed, it will need to obtain a safety certificate issued by the relevant regulatory authorities. The innovative nature of the product gives rise to some uncertainty as to whether the certificate will be obtained. However, the Group is confident that the certificate will be received.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7 to the financial statements.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 8, 9 and 10 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION (CONT'D)

(c) Significant accounting judgments, estimates and assumptions (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary companies are consolidated using the acquisition method of accounting except for the business combination with Bioalpha International Sdn. Bhd. and its subsidiary companies, Bioalpha R&D Sdn. Bhd. and Botanical Distribution Sdn. Bhd., which was accounted for under the merger method of accounting as the business combination of this subsidiary company involved an entity under common control.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 Financial Instruments: Recognition and Measurement either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

(b) Foreign currency transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k).

(i) Recognition and measurement

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (cont'd)

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

Leasehold land	Over the remaining lease
Factory building	50 years
Computer system and peripherals	5 years
Motor vehicles	5 years
Furniture and fittings	10 years
Lab and office equipments	5 to 10 years
Plant and machineries	10 years
Renovations	10 years
Infrastructure expenditures	10 years
Signage and display items	10 years

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

(d) Leases

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

For arrangement entered into prior to 1 January 2012, the date of inception is deemed to be 1 January 2012 in accordance with the MFRS 1.

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leases (cont'd)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

(e) Intangible assets

(i) Internally-generated intangible assets - Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets for intangible assets.

(f) Financial assets

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

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

Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Other liabilities measured at amortised cost

The Group's and the Company's other financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition of financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Offsetting of financial instruments

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

(i) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on first-in-first-out basis. Cost of finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

(j) Cash and cash equivalents

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

(k) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (cont'd)

(i) Non-financial assets (cont'd)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, and investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Provisions

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

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

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

(m) Borrowing costs

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

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

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

(n) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(p) Segments reporting

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

(q) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(ii) Sales of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Revenue recognition (cont'd)

(iii) Interest income

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

(iv) Rental income

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

(r) Income taxes

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and factory building	Computer system and peripherals	Furniture and fittings	Lab and office equipments	Motor vehicles	Plant and machineries	Renovations	Signage and display items	Infrastructure expenditures	Capital work-in- progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group											
2014											
Cost											
At 1 January 2014	3,787,179	297,320	145,310	434,375	607,503	11,994,681	2,957,883	690,461	1,222,500	-	22,137,212
Additions	279,950	197,479	62,293	139,071	-	7,054,764	807,733	321,727	-	468,500	9,331,517
At 31 December 2014	4,067,129	494,799	207,603	573,446	607,503	19,049,445	3,765,616	1,012,188	1,222,500	468,500	31,468,729
Accumulated depreciation											
At 1 January 2014	60,998	242,974	62,884	86,229	187,129	2,981,976	718,015	183,181	244,500	-	4,767,886
Charge for the financial year	48,040	45,766	19,357	71,685	108,607	1,567,339	334,660	80,280	122,250	-	2,397,984
At 31 December 2014	109,038	288,740	82,241	157,914	295,736	4,549,315	1,052,675	263,461	366,750	-	7,165,870
Carrying amount											
At 31 December 2014	3,958,091	206,059	125,362	415,532	311,767	14,500,130	2,712,941	748,727	855,750	468,500	24,302,859

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	Leasehold land and factory building	Computer system and peripherals	Furniture and fittings	Lab and office equipments	Motor vehicles	Plant and machineries	Renovations	Signage and display items	Infrastructure expenditures	Capital work-in- progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group											
2013											
Cost											
At 1 January 2013	1,141,095	293,174	128,394	184,637	341,634	9,727,286	2,607,883	688,361	1,222,500	1,659,909	17,994,873
Additions	-	4,146	16,916	249,738	441,869	2,267,395	350,000	2,100	-	986,175	4,318,339
Disposals	-	-	-	-	(176,000)	-	-	-	-	-	(176,000)
Reclassification	2,646,084	-	-	-	-	-	-	-	-	(2,646,084)	-
At 31 December 2013	3,787,179	297,320	145,310	434,375	607,503	11,994,681	2,957,883	690,461	1,222,500	-	22,137,212
Accumulated depreciation											
At 1 January 2013	24,279	201,838	49,275	38,186	211,791	1,580,525	444,666	114,239	122,250	-	2,787,049
Charge for the financial year	36,719	41,136	13,609	48,043	89,738	1,401,451	273,349	68,942	122,250	-	2,095,237
Disposals	-	-	-	-	(114,400)	-	-	-	-	-	(114,400)
At 31 December 2013	60,998	242,974	62,884	86,229	187,129	2,981,976	718,015	183,181	244,500	-	4,767,886
Carrying amount											
At 31 December 2013	3,726,181	54,346	82,426	348,146	420,374	9,012,705	2,239,868	507,280	978,000	-	17,369,326

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	2014 RM	2013 RM
Company		
Office equipment		
Cost		
At 1 January	1,049	–
Addition	–	1,049
At 31 December	1,049	1,049
Accumulated depreciation		
At 1 January	–	–
Charge for the financial year	105	–
At 31 December	105	–
Carrying amount		
At 31 December	944	1,049

- (a) Assets pledged as securities to financial institutions

The leasehold land and factory building of the Group has been pledged to a licensed bank as securities for credit facilities granted to a subsidiary company as disclosed in Note 16.

- (b) The remaining lease period of the leasehold land and factory building is 92 years (2013: 93 years).

- (c) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group acquired under finance leases are as follows:

	2014 RM	Group 2013 RM
Plant and machineries	352,647	593,539
Motor vehicles	195,888	214,513
	548,535	808,052

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

- (d) The aggregate additional cost for the property, plant and equipment of the Group and of the Company during the financial year under finance leases and cash payments are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Aggregate costs	9,331,517	4,318,339	–	1,049
Less:				
Transferred from deposits	(5,914,000)	(216,600)	–	–
Hire purchase financing	–	(269,000)	–	–
Trade in of motor vehicle	–	(105,000)	–	–
Cash payments	3,417,517	3,727,739	–	1,049

5. INVESTMENT IN SUBSIDIARY COMPANIES

- (a) Investment in subsidiary companies

	Company	
	2014 RM	2013 RM
Unquoted shares, at cost		
In Malaysia	12,719,130	12,719,130

- (b) All the subsidiary companies are incorporated in Malaysia and the subsidiary company and shareholdings therein are as follows:

Name of company	Effective Interest		Principal activities
	2014 %	2013 %	
Direct holding:			
Bioalpha International Sdn. Bhd.	100	100	Investment holding, manufacturing and sales of health supplement products
Bioalpha R&D Sdn. Bhd.	100	100	Research and development and manufacturing of health supplement products
Botanical Distribution Sdn. Bhd.	100	100	Marketing and distribution of health supplement products

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (b) All the subsidiary companies are incorporated in Malaysia and the subsidiary company and shareholdings therein are as follows (cont'd)

Name of company	Effective Interest		Principal activities
	2014 %	2013 %	
Indirect holding:			
Subsidiary company of Bioalpha International Sdn. Bhd.			
Bioalpha Agro Sdn. Bhd.	72	72	Investment holding and sales of herbs related products
Bioalpha East Coast Agro Sdn. Bhd.	100	—	Development and management of herb farms and sales of herbs related products
Subsidiary company of Botanical Distribution Sdn. Bhd.			
Alphacare Sdn. Bhd. (Formerly known as BioApotec Sdn. Bhd.)	100	100	Trading and management of pharmacy outlets
Subsidiary company of Bioalpha Agro Sdn. Bhd.			
Bioalpha (Johor Herbal) Sdn. Bhd.	50.4	50.4	Development of herb farms and sales of herbs related products

- (c) The summarised financial information on subsidiary companies with material non-controlling interests are as follows:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2014 %	2013 %	2014 RM	2013 RM	2014 RM	2013 RM
Bioalpha Agro Sdn. Bhd. ('BASB')	28	28	(3,317)	56,576	133,178	136,495
Bioalpha (Johor Herbal) Sdn. Bhd. ('BJHSB')	49.6	49.6	(132,261)	(12,553)	(261,356)	(129,095)
Total non-controlling interests					(128,179)	7,400

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (d) The summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	2014		2013	
	BASB RM	BJHSB RM	BASB RM	BJHSB RM
Summarised statements of financial position				
Non-current assets	910,471	27,767	1,046,295	24,716
Current assets	2,050,162	9,947	580,461	20,626
Non-current liabilities	(141,022)	–	(124,418)	–
Current liabilities	(2,512,292)	(552,816)	(1,183,172)	(293,788)
Net assets/(liabilities)	307,319	(515,102)	319,166	(248,446)
Summarised statements of profit or loss and other comprehensive income				
Revenue	2,167,020	117,000	2,132,671	114,443
Net (loss)/profit for the financial year, representing total comprehensive (loss)/income for the financial year	(11,847)	(266,656)	202,056	(25,308)
Summarised statements of cash flows				
Net cash from/(used in) operating activities	808,339	2,821	(85,769)	13,619
Net cash used in investing activities	–	(13,500)	(8,869)	–
Net cash used in financing activities	(10,055)	–	(10,819)	–
Net increase/(decrease) in cash and cash equivalents	798,284	(10,679)	(105,457)	13,619

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(e) Acquisition of subsidiary companies

- (i) On 22 January 2014 and 23 January 2014, Bioalpha International Sdn. Bhd. ("BISB"), a wholly-owned subsidiary of the Company has acquired two (2) ordinary shares of RM1.00 each representing 100% equity interest in Bioalpha East Coast Agro Sdn. Bhd. ("BECA"), for a total cash consideration of Ringgit Malaysia Two (RM2) only. Subsequently, BECA becomes wholly-owned subsidiary of BISB. On 31 December 2014, BECA has increased its paid-up share capital from 2 to 200,000 ordinary shares of RM1.00 each. BISB has subscribed all its shareholding in BECA by way of cash.
- (ii) On 6 May 2014, Alphacare Sdn. Bhd. (Formerly known as Bioapotec Sdn. Bhd.) ("Alphacare"), a wholly-owned subsidiary of Bioalpha Distribution Sdn. Bhd. ("BDSB") has increased its paid-up share capital from 2 to 900,000 ordinary shares of RM1.00 each. BDSB has subscribed all its shareholding in Alphacare by way of cash.
- (iii) On 18 June 2014, Alphacare, a wholly-owned subsidiary of BDSB has increased its paid-up share capital from 900,000 to 1,400,000 ordinary shares of RM1.00 each. BDSB has subscribed all its shareholding in Alphacare by way of cash.

6. DEVELOPMENT EXPENDITURES

	2014 RM	Group 2013 RM
Cost		
At 1 January	6,568,491	1,813,288
Additions	3,515,649	4,755,203
At 31 December	10,084,140	6,568,491
Accumulated amortisation		
At 1 January	1,041,055	597,179
Amortisation for the financial year	966,926	443,876
At 31 December	2,007,981	1,041,055
Carrying amount		
31 December	8,076,159	5,527,436

Development expenditure represents the costs incurred in respect of the on-going development of cordyceps as an active biological compound for use in health formulations.

A wholly-owned subsidiary company, Bioalpha International Sdn. Bhd. invested in development of *Tiger Milk Mushroom*.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVENTORIES

	2014 RM	Group 2013 RM
At cost:		
Raw material	3,689,963	2,275,562
Consumables	101,820	135,180
Finished goods	269,708	515,833
	4,061,491	2,926,575

8. TRADE RECEIVABLES

	2014 RM	Group 2013 RM
Trade receivables	12,954,976	12,970,767
Less: Accumulated impairment	(125,273)	–
	12,829,703	12,970,767

The Group's normal trade credit terms are 30 to 180 days (2013: 30 to 180 days). Other credit terms are assessed and approved on a case to case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Movements in the allowance for impairment losses of trade receivables are as follows:

	2014 RM	Group 2013 RM
At 1 January	–	–
Impairment loss recognised	125,273	–
At 31 December	125,273	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. TRADE RECEIVABLES (CONT'D)

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group	
	2014 RM	2013 RM
Neither past due nor impaired	5,031,043	5,037,804
<i>Past due not impaired:</i>		
Less than 30 days	2,129,247	3,848,022
31 - 90 days	1,683,802	1,429,839
More than 90 days	3,985,611	2,655,102
	7,798,660	7,932,963
Impaired	12,829,703	12,970,767
	125,273	–
	12,954,976	12,970,767

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

As at 31 December 2014, trade receivables of RM7,798,660 (2013: RM7,932,963) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables of the Group that are individually assessed to be impaired amounting to RM125,273 (2013: Nil), related to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

Credit risk concentration profile

The Group has significant concentrations of credit risk arising from 8 (2013: 9) major customers that represent approximately 69% (2013: 58%) of the gross trade receivables balance at end of the reporting period.

9. OTHER RECEIVABLES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Other receivables	1,451,227	3,853,507	–	–
Deposits	4,819,493	6,122,035	–	–
Prepayments	1,003,593	123,448	684,853	–
	7,274,313	10,098,990	684,853	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. AMOUNT OWING BY SUBSIDIARY COMPANIES

This represents unsecured, interest free advances and is repayable on demand.

11. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of fixed deposits of the Group and of the Company are range from 3.20% to 3.40% (2013: 1.85% to 3.10%) per annum and the maturity of deposits is 180 to 365 days (2013: 180 to 365 days).

Included in the fixed deposits of the Group are amounted to RM815,786 (2013: RM729,417) which has been pledged to licensed banks as securities for credit facilities granted to subsidiary companies as disclosed in Note 16.

12. SHARE CAPITAL

	Group and Company			
	<--Number of Shares -->		<----- Amount ----->	
	2014 Unit	2013 Unit	2014 RM	2013 RM
Ordinary shares of RM0.05 each				
Authorised				
At 1 January/ 31 December	500,000,000	500,000,000	25,000,000	25,000,000
Issued and fully paid				
At 1 January	363,413,114	254,383,000	18,170,656	12,719,150
Issued during the financial year	–	109,030,114	–	5,451,506
At 31 December	363,413,114	363,413,114	18,170,656	18,170,656

In previous financial year, the issued and paid-up share capital of the Company was increased from RM12,719,150 to RM18,170,656 by the issue of 109,030,114 ordinary shares of RM0.156 each for a total cash consideration of RM17,008,314 for working capital purposes. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

13. SHARE PREMIUM

Share premium arose from issuance of 109,030,114 ordinary shares of RM0.05 each at a premium of RM0.106 per share in the financial year 2013.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. MERGER DEFICITS

The merger deficits arise from the acquisition of Bioalpha International Sdn. Bhd. and its subsidiary companies, Bioalpha R&D Sdn. Bhd. and Botanical Distribution Sdn. Bhd., as follows:

	2014 RM	Group 2013 RM
Cost of merger	12,719,130	12,719,130
Less: Net assets of subsidiary companies	(7,750,000)	(7,750,000)
Merger deficits	4,969,130	4,969,130

15. FINANCE LEASE PAYABLES

	2014 RM	Group 2013 RM
(a) Minimum finance lease payments		
Within one year	297,925	292,236
Later than one year and not later than 5 years	300,046	602,552
	597,971	894,788
Less: Future finance charges	(35,022)	(71,006)
Present value of finance lease payables	562,949	823,782
(b) Present value of finance lease payables		
Within one year	274,122	257,359
Later than one year and not later than 5 years	288,827	566,423
	562,949	823,782
Analysed as:		
Repayable within twelve months	274,122	257,359
Repayable after twelve months	288,827	566,423
	562,949	823,782

The interest rates of the Group at the end of the reporting period is ranging from 2.55% to 4.00% (2013: 2.55% to 4.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. BANK BORROWINGS

	2014 RM	Group 2013 RM
Secured:		
Bank overdraft	383,153	—
Banker's acceptances	600,000	593,982
Term loans	2,479,497	2,709,627
	<hr/>	<hr/>
	3,462,650	3,303,609
	<hr/>	<hr/>
Analysed as:		
Repayable within twelve months		
Bank overdraft	383,153	—
Banker's acceptances	600,000	593,982
Term loans	226,784	232,107
	<hr/>	<hr/>
	1,209,937	826,089
Repayable after twelve months		
Term loans	2,252,713	2,477,520
	<hr/>	<hr/>
	3,462,650	3,303,609
	<hr/>	<hr/>

The above credit facilities obtained from licensed banks are secured by the following:

- (a) first legal charge over leasehold land and factory building of the Group as disclosed in Note 4;
- (b) pledged of fixed deposits of the Group as disclosed in Note 11;
- (c) personal guarantee by certain of the Directors of the Company; and
- (d) corporate guarantee by the Company.

The maturity of bank borrowings is as follows:

	2014 %	Group 2013 %
Bank overdraft	8.35	—
Bankers' acceptances	5.91	5.88
Term loans	5.40 - 5.90	5.40 - 5.90
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. BANK BORROWINGS (CONT'D)

The interest rates per annum at the end of the reporting period are as follows:

	2014 RM	Group 2013 RM
Within one year	1,209,937	826,089
Between one and two years	244,915	244,754
Between two and three years	170,497	342,927
Between three and four years	53,769	50,841
Between four and five years	56,867	53,769
After five years	1,726,665	1,785,229
	3,462,650	3,303,609

17. DEFERRED TAX LIABILITIES

	2014 RM	Group 2013 RM
At 1 January	1,553,100	433,744
Recognised in profit or loss	383,635	1,119,356
At 31 December	1,936,735	1,553,100

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	2014 RM	Group 2013 RM
Deferred tax liabilities	3,135,947	2,098,000
Deferred tax assets	(1,199,212)	(544,900)
	1,936,735	1,553,100

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. DEFERRED TAX LIABILITIES (CONT'D)

The components and movement of deferred tax liabilities and assets at the end of the reporting period prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Other deductible temporary difference RM	Total RM
At 1 January 2014	968,800	1,129,200	2,098,000
Recognised in profit or loss	413,906	624,041	1,037,947
At 31 December 2014	1,382,706	1,753,241	3,135,947
At 1 January 2013	844,644	–	844,644
Recognised in profit or loss	124,156	1,129,200	1,253,356
At 31 December 2013	968,800	1,129,200	2,098,000

Deferred tax assets of the Group:

	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 January 2014	(103,700)	(441,200)	(544,900)
Recognised in profit or loss	(82,085)	(572,227)	(654,312)
At 31 December 2014	(185,785)	(1,013,427)	(1,199,212)
At 1 January 2013	–	(410,900)	(410,900)
Recognised in profit or loss	(103,700)	(30,300)	(134,000)
At 31 December 2013	(103,700)	(441,200)	(544,900)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2014 RM	2013 RM
Unused tax losses	1,419,272	219,796
Unutilised capital allowances	62,154	24,716
	1,481,426	244,512

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 to 90 days (2013: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

19. OTHER PAYABLES

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	927,485	563,620	130,625	81,273
Deposits	8,251	14,450	–	–
Deferred capital grant	3,615,825	3,125,519	–	–
Dividend payables	226,094	–	226,094	–
Accruals	984,759	580,777	392,767	11,000
	5,762,414	4,284,366	749,486	92,273

Deferred capital grant refers to government grant received from Malaysia Biotechnology Corporation ("MBC") and Malaysia Agriculture Trade Corporation ("MATRADE") for the acquisition of equipment for research activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is being amortised over the useful life of the plant as recognised as other income in profit or loss.

The movement of the deferred capital grant is as follows:

	Group	
	2014 RM	2013 RM
At 1 January	3,125,519	1,988,637
Grant received during the financial year	676,200	1,477,000
Amortised during the financial year	(185,894)	(340,118)
At 31 December	3,615,825	3,125,519

20. AMOUNT OWING TO A DIRECTOR

This represents unsecured, interest free advances and repayable on demand.

21. REVENUE

Revenue represents the invoiced value of services rendered or goods sold less returns and discounts, if any.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. FINANCE COSTS

	Group	
	2014 RM	2013 RM
Interest expenses on:		
Term loans	157,173	208,199
Bank overdraft	35,434	44,452
Banker's acceptances	6,697	43,460
Hire purchase	36,101	54,187
Others	358	—
	235,763	350,298

23. PROFIT BEFORE TAXATION

Profit before taxation is derived after charging/(crediting):

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Auditors' remuneration	55,000	59,000	10,000	10,000
Allowance for impairment loss on trade receivables	125,273	—	—	—
Amortisation of development expenditures	966,926	443,876	—	—
Bad debts written off	1,700	633	—	—
Corporate expenses written off	—	550,271	—	—
Depreciation of property, plant and equipment				
- administrative expenses	543,072	806,617	105	—
- cost of sales	1,854,912	1,288,620	—	—
Directors' remuneration <i>Company's Directors</i>				
- fee	333,000	228,000	327,000	228,000
- salaries and other emoluments	647,240	614,081	2,000	—
- EPF	46,944	21,320	—	—
Rental of premises	344,340	208,435	—	—
Dividend income from a subsidiary company	—	—	(475,000)	—
Gain disposal of property, plant and equipment	—	(43,400)	—	—
Loss/(Gain) on foreign exchange				
- realised	11,702	32,558	—	—
- unrealised	—	(146,770)	—	—
Grant income	(4,226,773)	(791,152)	—	—
Interest income	(204,397)	(67,945)	(131,353)	(41,315)
Management fee	—	—	(360,000)	(360,000)
Rental income	(33,870)	(29,040)	—	—

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

24. TAXATION

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Tax expense recognised in profit or loss:				
Current tax provision	116,375	118,100	32,838	–
(Over)/Under provision in prior years	(10,833)	(36,059)	13,574	–
	105,542	82,041	46,412	–
Deferred tax:				
Relating to origination of temporary differences	507,329	1,124,500	–	–
Over provision in prior years	(123,694)	(5,144)	–	–
	383,635	1,119,356	–	–
Tax expense for the financial year	489,177	1,201,397	46,412	–

Income tax is calculated at the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before taxation	6,786,189	7,539,679	583,578	35,370
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	1,696,547	1,884,920	145,895	8,843
Expenses not deductible for tax purposes	343,942	562,603	4,096	–
Income exempted under BioNexus status	(1,127,342)	(778,200)	–	–
Income not subject to tax	(46,475)	(226,739)	(118,751)	(8,843)
Deferred tax assets not recognised	309,229	4,157	1,598	–
Utilisation of reinvestment allowances	(552,197)	(167,849)	–	–
Utilisation of previous years unutilised capital allowances	–	(36,292)	–	–
(Over)/under provision in respect of prior years				
- taxation	(10,833)	(36,059)	13,574	–
- deferred tax	(123,694)	(5,144)	–	–
Tax expense for the financial year	489,177	1,201,397	46,412	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. TAXATION (CONT'D)

A subsidiary company has been awarded with BioNexus Status by the Malaysian Biotechnology Corporation Sdn. Bhd. which qualifies for 100% tax exemption of the statutory income for a period of ten years under the Income Tax (Exemption) (No. 17) Order 2007 [P.U. (A) 371/2007] with effect from 30 June 2008.

The Group has unused tax losses and unutilised capital allowances amounting to RM1,412,984 and RM408,827 (2013: RM219,796 and RM322,774) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

25. EARNINGS PER SHARE

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	2014 RM	Group 2013 RM
Profit attributable to ordinary shareholders	6,432,590	6,294,259
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	363,413,114	254,383,000
Effect of ordinary shares issued during the financial year	–	29,403,591
Weighted average number of ordinary shares at 31 December	363,413,114	283,786,591
Basic earnings per ordinary shares (in sen)	1.77	2.22

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

26. DIVIDENDS

	2014 RM	Company 2013 RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
Interim dividends paid in respect of the financial year end 31 December 2014 (Single tier dividend of RM0.0013 per ordinary share)	475,000	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. EMPLOYEE BENEFITS EXPENSES

	2014 RM	Group 2013 RM
Employee benefits expenses (excluding Directors)	2,548,039	1,426,836

Included in the employee benefits expenses are contributions made to the Employees Provident Fund under a defined contribution plan of the Group amounting to RM220,854 (2013: RM178,198).

28. CAPITAL COMMITMENT

	2014 RM	Group 2013 RM
Authorised and contracted for		
Purchase of property, plant and equipment	4,500,000	5,396,400

29. CONTINGENT LIABILITY

	2014 RM	Company 2013 RM
Unsecured		
Corporate guarantees given to the license banks for credit facility granted to subsidiary companies	4,960,000	4,960,000

30. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company.

The Company has related party relationships with its subsidiary company, other related companies and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party balances disclosed in Note 10 to the financial statements, the significant related party transactions of the Company are as follows:

	2014 RM	2013 RM
Subsidiary Company:		
Management fee received/receivable	360,000	360,000

(c) Compensation of key management personnel

Remuneration of Directors and key management personnel are as follows:

	2014 RM	Group 2013 RM
Short-term employee benefits	636,890	338,100

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Directors of the Company.

31. SEGMENT INFORMATION

The Group has one operating segment comprises mainly the manufacturing and sale of semi-finished and finished health supplement products. Segment information has not been separately presented because internal reporting uses the Group's financial statements.

Geographical information

Revenue information based on the geographical location of customers is as follow:

	2014 RM	Group 2013 RM
Malaysia	13,925,763	16,194,344
Indonesia	10,518,568	7,242,500
Australia	2,347,100	955,000
Others	323,144	177,742
	27,114,575	24,569,586

No disclosure on geographical segment information for non-current assets as the Group operates predominantly in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. SEGMENT INFORMATION (CONT'D)

Major customers

Revenue from 2 (2013: 2) major customers amounting to RM6,850,988 (2013: RM5,831,000), arising from group revenue.

32. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group 2014			
Financial Assets			
Trade receivables	12,829,703	–	12,829,703
Other receivables	7,274,313	–	7,274,313
Fixed deposits with licensed banks	1,115,786	–	1,115,786
Cash and bank balances	8,706,259	–	8,706,259
Total financial assets	29,926,061	–	29,926,061
Financial Liabilities			
Trade payables	–	392,340	392,340
Other payables	–	5,762,414	5,762,414
Amounts owing to a Director	–	22,119	22,119
Finance lease payables	–	562,949	562,949
Bank borrowings	–	3,462,650	3,462,650
Total financial liabilities	–	10,202,472	10,202,472

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Group 2013			
Financial Assets			
Trade receivables	12,970,767	—	12,970,767
Other receivables	10,098,990	—	10,098,990
Fixed deposits with licensed banks	9,089,417	—	9,089,417
Cash and bank balances	1,832,008	—	1,832,008
Total financial assets	33,991,182	—	33,991,182
Financial Liabilities			
Trade payables	—	1,246,635	1,246,635
Other payables	—	4,284,366	4,284,366
Amounts owing to a Director	—	98,472	98,472
Finance lease payables	—	823,782	823,782
Bank borrowings	—	3,303,609	3,303,609
Total financial liabilities	—	9,756,864	9,756,864

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
Company			
2014			
Financial Assets			
Amount owing to a subsidiary company	16,989,009	–	16,989,009
Other receivables	684,853	–	684,853
Cash and bank balances	6,437	–	6,437
Total financial assets	17,680,299	–	17,680,299
Financial Liabilities			
Other payables	–	749,486	749,486
Amount owing to a Director	–	1,049	1,049
Total financial liabilities	–	750,535	750,535
2013			
Financial Assets			
Amount owing to a subsidiary company	8,476,609	–	8,476,609
Fixed deposits with licensed banks	8,360,000	–	8,360,000
Cash and bank balances	113,868	–	113,868
Total financial assets	16,950,477	–	16,950,477
Financial Liabilities			
Other payables	–	92,273	92,273
Amount owing to a Director	–	1,049	1,049
Total financial liabilities	–	93,322	93,322

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objective and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate, and market price risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk.

At 31 December 2014, the Group had 8 customers (2013: 9 customers) that accounted for approximately 69% (2013: 58%) of the gross trade receivables balance.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available. All the financial liabilities of the Company are repayable within 1 year or on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Carrying amount RM
Group						
2014						
Financial liabilities						
Trade payables	392,340	—	—	—	392,340	392,340
Other payables	5,762,414	—	—	—	5,762,414	5,762,414
Amounts owing to a						
Director	22,119	—	—	—	22,119	22,119
Finance lease payables	275,676	229,710	61,692	—	567,078	562,949
Bank borrowings	1,358,705	375,552	584,389	2,718,214	5,036,860	3,462,650
Total undiscounted financial liabilities	7,811,254	605,262	646,081	2,718,214	11,780,811	10,202,472
2013						
Financial liabilities						
Trade payables	1,246,635	—	—	—	1,246,635	1,246,635
Other payables	4,284,366	—	—	—	4,284,366	4,284,366
Amounts owing to a						
Director	98,472	—	—	—	98,472	98,472
Finance lease payables	292,236	265,063	337,489	—	894,788	823,782
Bank borrowings	969,534	375,552	765,751	2,280,137	4,390,974	3,303,609
Total undiscounted financial liabilities	6,891,243	640,615	1,103,240	2,280,137	10,915,235	9,756,864

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD).

The Group and the Company have not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in USD RM
2014	
Other receivables	–
Cash and bank balances	2,301,700
	2,301,700
2013	
Other receivables	1,419,600
Cash and bank balances	8,682
	1,428,282

The following table demonstrates the sensitivity of the Group's profit before taxation for the financial year to a reasonably possible change in the USD exchange rates against the functional currencies of the Group, with all other variables held constant.

Foreign currency sensitivity analysis

	2014		2013	
	Change in currency rate	Effect on profit before taxation RM	Change in currency rate	Effect on profit before taxation RM
USD	10%	230,170	10%	142,828

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk (cont'd)

(ii) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Financial Asset				
Fixed deposits with licensed banks	1,115,786	9,089,417	–	8,360,000
Financial Liability				
Bank borrowings	3,462,650	3,303,609	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	Effect to profit or loss	
	2014 RM	2013 RM
Group		
Interest rate increased by 1%	(23,469)	57,858
Interest rate decreased by 1%	23,469	(57,858)
Company		
Interest rate increased by 1%	–	83,600
Interest rate decreased by 1%	–	(83,600)

(d) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair value of financial instruments (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
2014						
Group						
Financial liabilities						
Finance lease payables	–	–	246,888	246,888	246,888	288,827
Bank borrowings	–	–	2,252,713	2,252,713	2,252,713	2,252,713
	–	–	2,499,601	2,499,601	2,499,601	2,541,540
2013						
Group						
Financial liabilities						
Finance lease payables	–	–	546,372	546,372	546,372	566,423
Bank borrowings	–	–	2,477,520	2,477,520	2,477,520	2,477,520
	–	–	3,023,892	3,023,892	3,023,892	3,043,943

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at end of the reporting period are as follows:

	2014 RM	Group 2013 RM
Total loans and borrowings	4,025,599	4,127,391
Less: Cash and cash equivalents	(8,623,106)	(10,192,008)
Excess of cash and cash equivalents	(4,597,507)	(6,064,617)
Total equity	54,280,076	48,458,064
Gearing ratio (%)	N/A	N/A

Gearing ratio not applicable for financial year ended 31 December 2014 as the cash and cash equivalent of the Group are sufficient to settle the outstanding debts.

There were no changes in the Group's approach to capital management during the financial year.

34. SIGNIFICANT EVENT

On 8 September 2014, the Company have submitted its application to Bursa Malaysia Securities Berhad (Bursa Securities") in conjunction with the Company's listing of and quotation for its entire enlarged issued and paid-up share capital on the ACE Market on the Official List of Bursa Securities which entails the following:

- (i) Public issue of 20,000,000 new ordinary shares at an issue price of RM0.20 per share; and
- (ii) Private placement to selected investors 80,000,000 new ordinary shares at an issue price of RM0.20 per share.

35. SUBSEQUENT EVENT

On 21 January 2015, Bursa Securities had approved-in-principle the admission of the Company to its Official List and the listing of and quotation for its entire enlarged issued and paid-up share capital of RM23,170,655.70 comprising 463,413,114 Shares on the ACE Market of Bursa Securities.

36. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 April 2015.

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM25,000,000 divided into 500,000,000 ordinary shares of RM0.05 each
Issued and Paid-Up Share Capital	:	RM23,170,655.70 comprising of 463,413,414
Class of Shares	:	Ordinary shares of RM0.05 each
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION TABLE ACCORDING TO NUMBER OF SHARES HELD AS AT 22 APRIL 2015

CATEGORY	NO OF HOLDERS	% OF HOLDERS	NO OF SHARES	% OF SHARES
Less than 100	1	0.06	69	0.00
100 - 1,000	76	4.85	50,700	0.01
1,001 - 10,000	556	35.50	3,979,900	0.86
10,001 - 100,000	767	48.98	26,164,900	5.65
100,001 to 23,170,654 (*)	163	10.41	124,323,988	26.83
23,170,655 and Above(**)	3	0.19	308,893,557	66.66
Total	1,566	100.00	463,413,114	100.00

* - Less than 5% of Issued Holdings

** - 5% and Above of Issued Holdings

LIST OF THIRTY 30 LARGEST SHAREHOLDERS AS AT 22 APRIL 2015

	Names	Shareholding	%
1	HON TIAN KOK @ WILLIAM	122,103,560	26.35
2	PERBADANAN NASIONAL BERHAD	105,387,077	22.74
3	MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD	81,402,920	17.57
4	YEOH KIM ENG	13,176,782	2.84
5	CHOO WING ONN	7,500,000	1.62
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB Bank For Tan Soon Lai (MY0871)	7,500,000	1.62
7	KU LIAN SIN	6,000,000	1.29
8	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Shin Kong Kew @ Chin Kong Kew (R25 Margin)	4,000,000	0.86
9	DATO SRI HJ SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR	3,643,037	0.79

ANALYSIS OF SHAREHOLDINGS (cont'd)

LIST OF THIRTY 30 LARGEST SHAREHOLDERS AS AT 22 APRIL 2015 (CONT'D)

	Names	Shareholding	%
10	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD Exempt An For Phillip Capital Management Sdn Bhd	3,330,000	0.72
11	LOH SIEW YEOK	3,000,000	0.65
12	RON PAUL	2,000,000	0.43
13	KELVIN TEH WEI LOON	1,750,000	0.38
14	KOPERASI BELIA ISLAM MALAYSIA BERHAD	1,750,000	0.38
15	HO CHEE SHEN	1,710,000	0.37
16	HONG LEONG INVESTMENT BANK BERHAD Exempt AN CLR For CIMB-Principal Asset Management Berhad	1,633,400	0.35
17	YAYASAN CENDEKIAWAN MELAYU BARU	1,500,000	0.32
18	TAN AH SAN @ TAN AH SENG	1,460,000	0.32
19	ACCULEX SDN BHD	1,350,500	0.29
20	QUEK CHOO HONG	1,300,000	0.28
21	CHOONG TUCK KEONG	1,250,000	0.27
22	LOH TECK FATT	1,225,000	0.26
23	TAN CHOO TECK	1,137,569	0.25
24	NG AH KOW	1,100,000	0.24
25	HLIB NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Seong Kwok Ching	1,050,000	0.23
26	KOH KIM BOON	1,033,900	0.22
27	LIM BEE LIAN	1,022,000	0.22
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB Bank For Lim Kai Swee (MY1585)	1,000,000	0.22
29	FOO LONG LOKE	1,000,000	0.22
30	INDRANI A/P K. D. G RATNAM	1,000,000	0.22
	Total	382,315,745	82.50

ANALYSIS OF SHAREHOLDINGS (cont'd)

SUBSTANTIAL HOLDER(S) AS AT 22 APRIL 2015

NO	NAMES	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1	HON TIAN KOK @ WILLIAM	122,103,560	26.35	—	—
2	PERBADANAN NASIONAL BERHAD	105,387,077	22.74	—	—
3	MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD	81,402,920	17.57	—	—

LIST OF DIRECTORS WITH REGISTERED SHAREHOLDINGS AS AT 22 APRIL 2015

NO	NAMES	DIRECT		INDIRECT	
		NO. OF SHARES	%	NO. OF SHARES	%
1	TAN SRI ABDUL RAHMAN BIN MAMAT	—	—	—	—
2	HON TIAN KOK @ WILLIAM	122,103,560	26.35	—	—
3	DATO' SRI HJ. SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR	3,643,037	0.79	—	—
4	HO TZE HIUNG	—	—	—	—
5	DATO' NORHALIM BIN YUNUS	—	—	—	—
6	DATO' ROSELY BIN SAMSURI	—	—	—	—
7	TAN SRI DATO' DR SYED JALALUDIN BIN SYED SALIM	—	—	—	—
8	DR NIK ISMAIL BIN NIK DAUD	—	—	—	—
9	MOHD NASIR BIN ABDULLAH	—	—	—	—

PROPERTIES

OWNED

Registered owner	Location	Description and Existing Use	Date of Certificate of Fitness	Built-Up Area/ Land Area Sq. ft.	Tenure	Carrying Amount as at 31 December 2014 RM'000
BISB	No. 10, Jalan P/9A Section 13 Bandar Baru Bangi Selangor	Industrial land with the following buildings erected thereon: <ul style="list-style-type: none"> a semi-detached two (2)-storey building annexed with an open shed for our manufacturing facility; two (2) utility cabins* for our restroom and surau; and a guardhouse. 	30.04.2012	8,137 / 11,000	99 years expiring on 20.08.2105	3,955

LEASED

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BDSB	Dewina LSG Sdn Bhd	No. 12, Jalan P/9A Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor	Industrial land with a semi-detached one (1) ½-storey building for our manufacturing facility	5,600 sq. ft. / 11,000 sq. ft.	8,000 per month	01.02.2014 to 31.01.2016
BISB	Wong Oon Chien and Choong Yoke Lan	No. 190, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Four (4) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / ⁽¹⁾	1,500 per month	01.01.2014 to 31.12.2015
	Tan Eng Sin and Choong Yoke Chin	No. 191, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / ⁽¹⁾	1,500 per month	01.01.2014 to 31.12.2015
	Great Centre Sdn. Bhd	No. 192, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / ⁽¹⁾	1,500 per month	01.01.2014 to 31.12.2015
	Choong Yoke Chin and Choong Yoke Fee	No. 193, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / ⁽¹⁾	1,500 per month	01.01.2014 to 31.12.2015

PROPERTIES (cont'd)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
Alphacare	Wan Shahinur Izran Bin Mohamad Salleh and Wan Izzana Fatimah Zabedah Binti Mohamad Salleh	No. 2, Ground Floor, Jalan Solaris 5, Solaris Mont Kiara, Off Jalan Duta Kiara 50480 Kuala Lumpur	One (1) corner unit on the ground floor of a four (4) storey building for our “LifeSprings” retail outlet	1,680 sq. ft. / ⁽¹⁾	17,000 per month	16.04.2014 to 15.04.2017
	Chua Lay Choo	No. B-10-06, 6th Floor, Dataran 3 Two, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor	A unit on the 6th floor of a 7 storey office block for our marketing office	2,213 sq. ft. / ⁽¹⁾	5,900 per month	01.05.2014 to 30.04.2015
BHB, BISB and BECA	ECERDC	Lot PT 1748 H. S. (D) 1966, Mukim Pasir Raja, Daerah Dungun, Terengganu	Agricultural land for the cultivation and farming of herbal plants with the following infrastructure erected thereon: <ul style="list-style-type: none"> • an administration and management building; • a fertilizer storage facility; • an equipment store cum repair and maintenance workshop; • residential buildings as follows: <ul style="list-style-type: none"> (i) one (1) unit of bungalow; (ii) twelve (12) units of office terrace; (iii) nine (9) units of family terrace; (iv) two (2) blocks of hostel; (v) surau; (vi) convenience store; • common facilities as follows: <ul style="list-style-type: none"> (i) skid tank; (ii) guardhouse; and (iii) water storage tank. 	⁽²⁾ / 123.5 acres ⁽³⁾	63,500 per annum ⁽⁴⁾	07.04.2014 to 06.04.2044
BJHSB	Perbadanan Setiausaha Kerajaan Johor	PTD 4825 H.S.(D) 31408 and PTD 4823 H.S.(D) 31406, Mukim Pantai Timur, Daerah Kota Tinggi, Johor	Agricultural land for cultivation and farming of herbal and non-herbal plants	294.9	⁽⁴⁾	⁽⁴⁾

Notes:

- (1) Not available as the leased property is a shop lot as a unit within a building.
- (2) Not available as the leased buildings and infrastructures are of different types and sizes.
- (3) Please refer to prospectus page 99
- (4) We have yet to enter into a lease agreement with the registered owner of Desaru Land and register the same under Section 221(4) of the NLC.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth (4th) Annual General Meeting of Bioalpha Holdings Berhad ("BHB" or "the Company") will be held at Hotel Bangi Putrajaya on Tuesday, 23 June 2015, at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. *Please refer to Note A.*
2. To approve the payment of Directors' fees of RM69,000.00 for the financial year ended 31 December 2014. *(Ordinary Resolution 1)*
3. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:-
 - i. Hon Tian Kok @ William *(Ordinary Resolution 2)*
 - ii. Ho Tze Hiung *(Ordinary Resolution 3)*
 - iii. Dr. Nik Ismail Bin Nik Daud *(Ordinary Resolution 4)*
4. To re-elect the following Director retiring pursuant to Article 110 of the Company's Articles of Association:-
 - i. Mohd Nasir bin Abdullah *(Ordinary Resolution 5)*
5. To re-elect the following Director retiring pursuant to Article 110 of the Company's Articles of Association and Section 129(6) of the Companies Act, 1965
 - i. Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim *(Ordinary Resolution 6)*
6. To re-appoint Messrs. UHY as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 7)*

As Special Business:

To consider and, if thought fit, to pass the following resolutions:

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** *(Ordinary Resolution 8)*

"THAT subject to the Section 132D of the Companies Act, 1965, and the approval of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit without convening a general meeting provided that the aggregate number of shares issued pursuant to this resolution shall not exceed 10% of the issued and paid-up share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue, and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company; and FURTHER THAT the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares issued on the Bursa Malaysia Securities Berhad."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

(Special Resolution 1)

“THAT the proposed amendment to Article 128 of the Company's Articles of Association as set out be and is hereby approved and adopted AND THAT the Directors and Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Articles of Association of the Company.”

Provision of existing Article 128	Proposed New Article 128
“The quorum necessary for the transaction of the business of the Directors shall be two (2), Where only two (2) Directors are present, or only two (2) Directors are present who are not disqualified to Article 129 or who are competent to vote the Chairman shall not have a second or casting vote. In the event that no quorum is present after half an hour of the time appointed for the said meeting, the meeting shall be adjourned to the same day and time the following week and at the same place where for the purpose of the adjourned meeting, any two (2) Directors shall form a quorum.	“The quorum necessary for the transaction of the business of the Directors shall be Five (5) , Where only Five (5) Directors are present, or only Five (5) Directors are present who are not disqualified to Article 129 or who are competent to vote the Chairman shall not have a second or casting vote. In the event that no quorum is present after half an hour of the time appointed for the said meeting, the meeting shall be adjourned to the same day and time the following week and at the same place where for the purpose of the adjourned meeting, any five (5) Directors shall form a quorum.

9. To transact any other business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)
CHONG VOON WAH (MAICSA 7055003)
 Company Secretaries

Kuala Lumpur
 Date: 29 May 2015

NOTES:-

- A. This Agenda item is meant for discussion only as Section 169 (1) of the Companies Act, 1965 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

1. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.
5. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd, Share Registrar office of the Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 10.00 a.m., Sunday, 21 June 2015 or at any adjournment thereof.
6. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 15 June 2015. Only depositor whose name appears on the Record of Depositors as at 15 June 2015 shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Explanatory Notes to Ordinary and Special Business:-

Ordinary Resolution 7: Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965

The Ordinary Resolution 7, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares in the Company up to an amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This renewal of general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares of shares in the Company, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the Third (3rd) Annual General Meeting held on 30 June 2014 and which will lapse at the conclusion of the Fourth (4th) Annual General Meeting.

Special Resolution 1: Proposed Amendments to the Articles of Association of the Company

The Special Resolution 1, if passed, will enable the quorum of necessary for the transaction of the business of the Directors be changed to shall be five (5) instead of two (2).

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Fourth (4th) Annual General Meeting of the Company are:-

Hon Tian Kok @ William	Article 104	Ordinary Resolution 2
Ho Tze Hiung	Article 104	Ordinary Resolution 3
Dr. Nik Ismail Bin Nik Daud	Article 104	Ordinary Resolution 4
Mohd Nasir bin Abdullah	Article 110	Ordinary Resolution 5
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	Article 110 and Section 129(6) of the Companies Act, 1965	Ordinary Resolution 6

The profile of the above Directors are set out on pages 12 to 16 of the Annual Report 2014. The details of the interest of the above Directors in the securities of the Company or its related corporations are disclosed in the Directors Report on page 113 of the aforesaid Annual Report. The details of the Directors' attendance for Board Meetings and Committee Meetings are disclosed in the Corporate Governance Statement on page 34 of the Annual Report 2014.



BIOALPHA HOLDINGS BERHAD
(949536-X)
(Incorporated in Malaysia)

PROXY FORM

I/We, _____ NRIC No. _____
(Full name in capital letters)

of _____
(Full address)

being a member(s) of **BIOALPHA HOLDINGS BERHAD** (Company No. 949536-X) hereby appoint _____
(Full name in capital letters)

of _____
(Full address)

or failing him, _____ of _____

as my/our proxy to vote for me/us and on my/our behalf at the 4h Annual General Meeting of the Company to be held at Hotel Bangi Putrajaya on Tuesday, 23 June 2015 at 10.00 a.m. for/against* the resolution(s) to be proposed thereat. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

No.	Agenda	Resolution	FOR	AGAINST
1.	Approve Payment of Directors Fee	Ordinary Resolution 1		
2.	Re-election of Hon Tian Kok @ William as Director	Ordinary Resolution 2		
3.	Re-election of Ho Tze Hiung as Director	Ordinary Resolution 3		
4.	Re-election of Dr. Nik Ismail Bin Nik Daud as Director	Ordinary Resolution 4		
5.	Re-election of Mohd Nasir bin Abdullah as Director	Ordinary Resolution 5		
6.	Re-election of Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim as Director	Ordinary Resolution 6		
7.	Re-appointment of Auditors	Ordinary Resolution 7		
8.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	Ordinary Resolution 8		
9.	Proposed Amendments to the Articles of Association of the Company.	Special Resolution 1		

Signed on this _____ day of _____ 2015.

Number of shares held:-	
CDS account no.:-	

Signature of Shareholder or Common Seal

* *Strike out whichever is not desired.*

Notes:-

- A. This Agenda item is meant for discussion only as Section 169 (1) of the Companies Act, 1965 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.
1. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. Where a member of the Company is an exempt authorised nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.
5. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd, Share Registrar office of the Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 11.00 a.m., Sunday, 21 June 2015 or at any adjournment thereof.
6. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 61(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 15 June 2015. Only depositor whose name appears on the Record of Depositors as at 15 June 2015 shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.



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AFFIX
STAMP

The Share Registrar:
BIOALPHA HOLDINGS BERHAD (949536-X)
c/o SYMPHONY SHARE REGISTRARS SDN BHD (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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HEAD OFFICE :

No.10 Jalan P/9A, Seksyen 13 43650 Bandar Baru Bangi Selangor, Malaysia
TEL : (+603) 8925 1222 FAX : (+603) 8922 2522 EMAIL : info@bioa.net

www.bioa.net



BIOALPHA HOLDINGS BERHAD

Company No.: 949536-X
(Incorporated in Malaysia)

20 June 2015

To Shareholders of Bioalpha Holdings Berhad

Dear Sirs/Madam,

ERRATA TO ANNUAL REPORT 2014

With reference to the Annual Report 2014 sent to you on 29 May 2015, we wish to inform that there is amendment on the said Annual Report as highlighted in ***bold and italic*** below:-

Item 2 under Notice of Annual General Meeting (Page 117)

To approve the payment of Directors' fees of ***RM333,000.00*** for the financial year ended 31 December 2014.

The amendment is much regretted.

Yours faithfully,

BIOALPHA HOLDINGS BERHAD

Hon Tian Kok @ William

Managing Director/Chief Executive Officer