Health Through Biotech

BIOALPHA HOLDINGS BERHAD
STOCK CODE: BIOHLDG (0179)

An Integrated Health
Supplement Company

Annual Report
2016

CONTENTS

ABOUT **BIOALPHA**

Bioalpha Holdings Berhad is principally an investment holding company while our subsidiaries are involved in the manufacture and sale of health supplement products. As an Original Brand Manufacturer ("OBM"), our products are sold under our house brands using our own proprietary formulations.

In addition, we also serve as well as an Original Design Manufacturer ("ODM") for our clients. We have the flexibility and capability to produce in various forms such as powder, liquid, teabag, capsule and tablet.

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.

ABOUT **BIOALPHA**
(continued)

VISION

As a regional health supplement group to improve the total well-being of people in through innovation culture, and the adoption of technology and best practices in research, products and human capital development.

MISSION

To increase the breadth and depth of our integrated business model by 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 R&D, herb planting and production process.

R&D
To continuously improve our strain extraction methodologies and to discover new medicinal mushroom species and herbs for commercialization.

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

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 brand by delivering effective and innovative products, building consumer awareness and appropriate market positioning.

COMPANY **MILESTONES**

2005

- Incorporated BISB to undertake sale of health supplement products under house brand "Bexlim®"

2007

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

2008

- Secured first ODM and OEM customers
- Penetrated into Thailand and Vietnam
- Expansion of Semenyih plant from [2] production lines to (5) production lines
- Our Semenyih plant was certified as GMP-compliant by the MOH.
- Incorporated BRSB to focus on R&D activities
- Commenced R&D of medicinal mushroom, particularly C.sinesis
- BRSB awarded with BioNexus status by MBC

2009

- Awarded grant from MBC to set up and commercialize liquid fermentation facility
- Awarded "Enterprise 50 Award Programme" which is jointly organize by Deloitte Malaysia and SME Corporation Malaysia

2010

- Entered into joint-venture agreement with J-Biotech Herbal for the cultivation and farming of herbal plants in herb farm in Desaru, Johor with 300 acres
- 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

2011

- Appointed as a herbal Anchor company by MOA under EPP1 for the development of "High-value Herbal Products"
- Continued R&D on other medicinal mushrooms including L.Rhinocerus, Grifola frondosa, Lentinula edodes, Cordyceps militaris and Ganoderma lucidum
- Awarded "Industry Merit Award 2011 (Biotechnology)" by Kuala Lumpur Malay Chamber of Commerce
- Commence operations of liquid fermentation facility in Semenyih plant

COMPANY **MILESTONES** (continued)

- Filled applications for patents for proprietary liquid fermentation facility with Intellectual Property Corporation of Malaysia and Taiwan Intellectual Property Office
- Awarded "Recognition Award for Outstanding Investee Company" by Malaysia Venture Capital and Private Equity Association

- Our Bangi plant was certified as GMP plant by the MOH
- Awarded BCF from MBDC to enable manufacturing of semi finished C.sinesis based health supplement products utilizing spray drying and liquid filling technologies.
- Appointed as Anchor Company by ECERDC to invest, develop and manage an integrated herbal cluster land in Pasir Raja, Terengganu

- Acquisition of Constant chain pharmacy
- Launched of 4th Manufacturing Plant in Kampar, Indonesia
- Expansion of Constant Pharmacy beyond Klang Valley - Kelantan
- Awarded "Recognition Award for Outstanding Investee Company" by Malaysia Venture Capital and Private Equity Association (MVCA)

2012	2013	2014	2015	2016

- 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 isolation and fermentation of L.rhinocerus
- Awarded CRDF from MTDC to fund R&D on the extraction of polysaccharide carbohydrate from L.rhinocerus
- PNS became our substantial shareholder
- Signed a MOU with MyAngkasa Holdings Sdn Bhd for a proposed future partnership for our pharmacy retail business
- Our founder and Managing Director, William Hon, was awarded the "MBA Industry Excellence Award (Biotech)" by ASEAN Business Advisory Council Malaysia

- Listed on the ACE Market of Bursa Malaysia Securities Berhad - 14 April 2015
- Penetrated into China market
- Business Excellent Award 2015 by Sin Chew Daily

BIOALPHA'S CORE VALUES

I - Innovation
A - Accountability
C - Customer Focus
T - Teamwork

BIOALPHA'S CORE VALUES

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Tan Sri Dato' Abdul Rahman Bin Mamat
Independent Non-Executive Chairman

Hon Tian Kok @ William
Managing Director/ Chief Executive Officer

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

SHARE ISSUANCE SCHEME ("SIS") OPTION COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)
Hon Tian Kok @ William
Ho Tze Hiung
Goh Siow Cheng

COMPANY SECRETARIES

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

REGISTERED OFFICE

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur
Wilayah Persekutuan
Tel. No. : (603) 2279 3080
Fax. No. : (603) 2279 3090

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

SPONSOR

TA Securities Holdings Berhad
32nd Floor, Menara TA One
22 Jalan P. Ramlee
50250 Kuala Lumpur
Tel. No. : (603) 2027 1277
Fax. No. : (603) 2026 0127

HEAD OFFICE

No. 10, Jalan P/9A
Seksyen 13
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia
Tel. No. : (603) 8925 1222
Fax. No. : (603) 8922 2522
Email : info@bioa.net
Website : www.bioa.com.my

AUDITORS

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

SHARE REGISTRAR

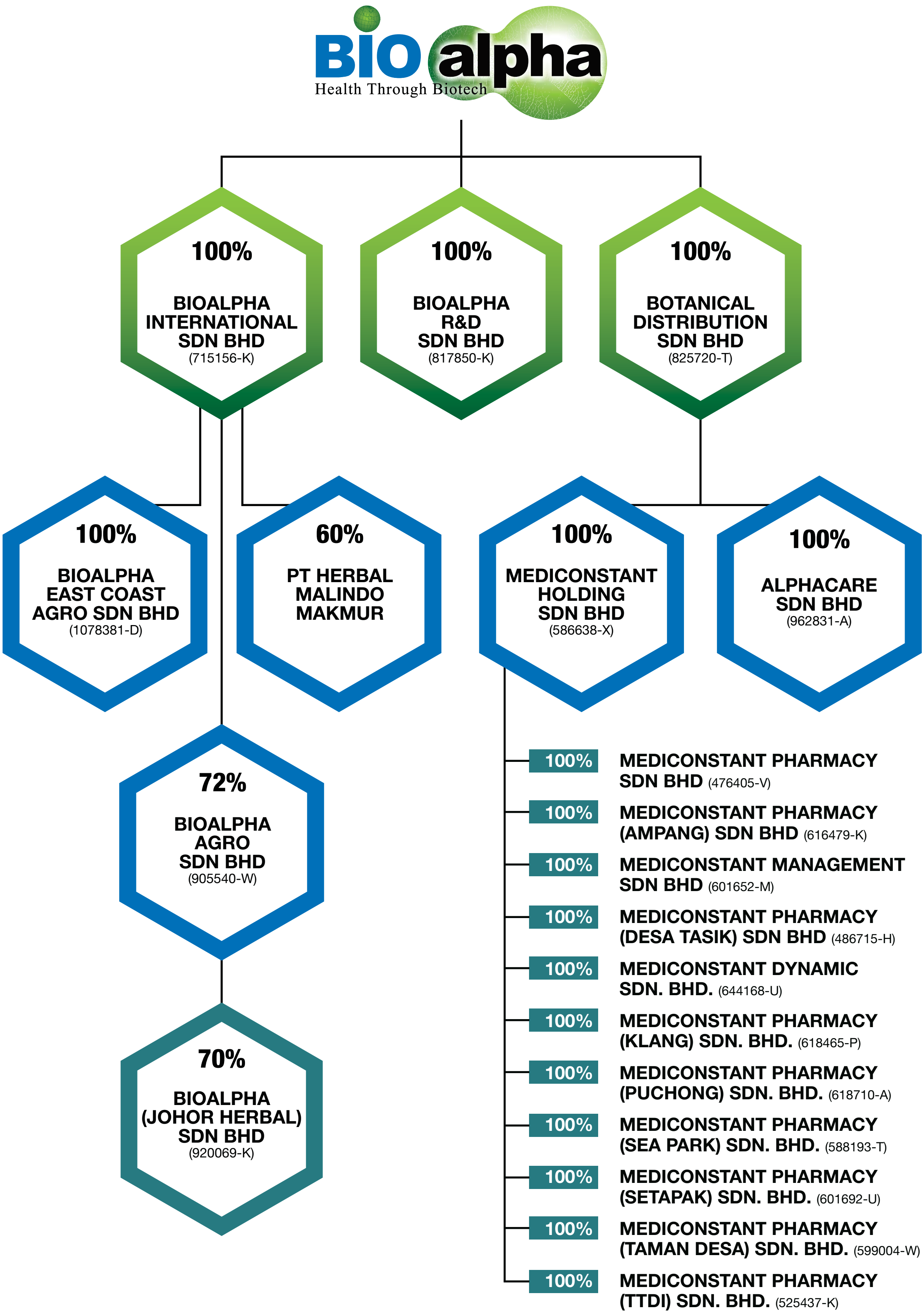
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No. : (603) 7841 8000
Fax. No. : (603) 7841 8151 / 8152

STOCK EXCHANGE LISTING

Ordinary Shares
ACE Market of Bursa Malaysia Securities Berhad
Stock Name: BIOHLDG
Stock Code: 0179

Warrants
ACE Market of Bursa Malaysia Securities Berhad
Stock Name: BIOHLDG-WA
Stock Code: 0179WA

CORPORATE **STRUCTURE**



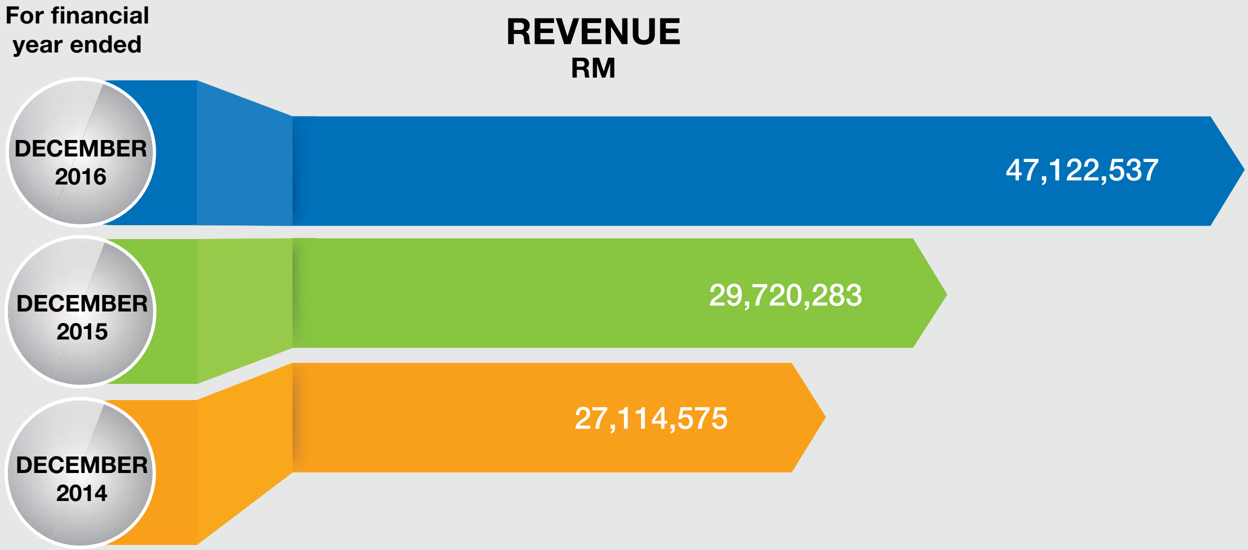
FINANCIAL HIGHLIGHTS

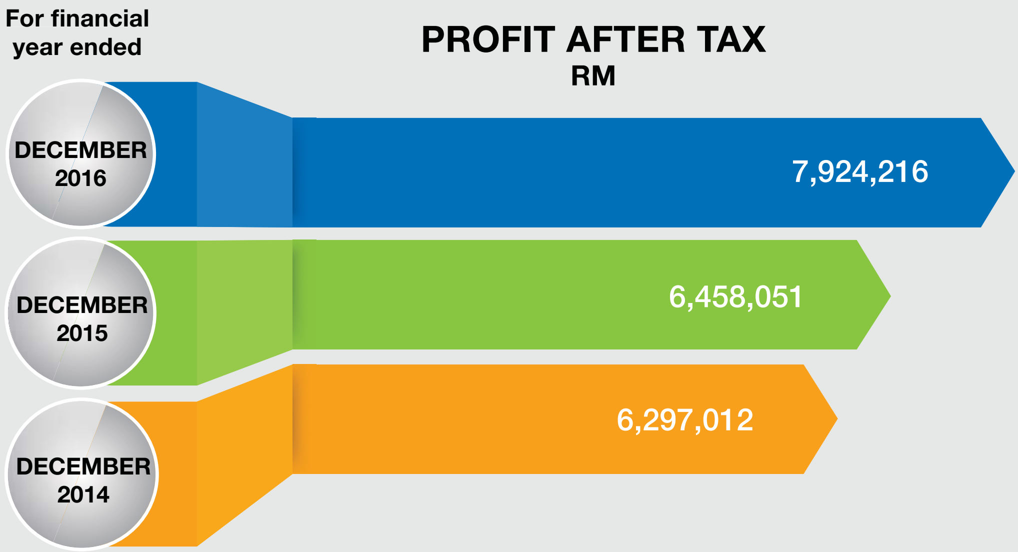
	For Financial Year Ended 31/12/16 RM	For Financial Year Ended 31/12/15 RM	For Financial Year Ended 31/12/14 RM
Financial Results			
Revenue	47,122,537	29,720,283	27,114,575
EBITDA	13,751,855	12,135,520	10,182,465
Profit before tax	7,736,707	7,302,590	6,786,189
Profit after tax	7,924,216	6,458,051	6,297,012
Net dividend	-	417,072	475,000
Net profit attributable to:			
Owners of the parent	8,488,811	6,796,465	6,432,590
Non-controlling interests	(564,595)	(338,414)	(135,578)

	As at 31/12/16	As at 31/12/15	As at 31/12/14
Financial Position			
Assets			
Property, plant and equipment	29,291,581	26,902,893	24,302,859
Goodwill on consolidation	5,334,030	-	-
Development expenditures	18,568,014	12,970,672	8,076,159
Biological assets	302,284	282,765	-
Current assets	60,349,134	48,540,403	34,055,578
Total assets	113,845,043	88,696,733	66,434,596
Equity			
Share capital	33,333,282	23,170,656	18,170,656
Non-distributable reserves	19,728,624	19,392,775	6,587,678
Retained earnings	44,928,794	36,439,983	29,649,920
Total equity attributable to owners of the company	97,990,700	79,003,414	54,408,254
Non-controlling interests	(594,890)	(277,262)	(128,178)
Liabilities			
Deferred tax liabilities	2,342,940	2,645,605	1,936,735
Finance lease liabilities	94,975	249,824	288,827
Bank borrowings	2,984,978	691,707	2,252,713
Current liabilities	11,026,340	6,383,445	7,676,245
Total equity and liabilities	113,845,043	88,696,733	66,434,596
Weighted average no. of ordinary shares	**663,601,297**	**604,599,317**	**363,413,114**

	For Financial Year Ended 31/12/16	For Financial Year Ended 31/12/15	For Financial Year Ended 31/12/14
Financial Indicators			
Earnings per share (sen)	**1.28**	**1.12**	**1.77**
Net dividend per share (sen)	**-**	**0.09**	**0.13**
Net assets per share (RM)	**0.15**	**0.17**	**0.15**
Return on equity (%)	**8.11**	**8.20**	**11.60**
Net earnings per share (sen)	**1.19**	**1.07**	–
Share price as at financial year end (RM)	**0.206**	**0.315**	–

FINANCIAL **HIGHLIGHTS**
(continued)





Rasa Sedap
Kekal Sihat

Cuka epal yang sedap daripada epal organik bersama madu, untuk kesihatan yang menyeluruh.

Prima
Tongkat Ali

Digunakan secara tradisional untuk meningkatkan kesihatan dan kecergasan lelaki.

Sihat . Asli . Jimat

BOARD OF DIRECTORS

TAN SRI DATO' ABDUL RAHMAN BIN MAMAT

65 Years

Malaysian, Male

Independent Non-Executive Chairman

Tan Sri Dato' Abdul Rahman Bin Mamat, was appointed to our Board of Directors ("Board") on 3 January 2012. He graduated with a Bachelor of Economics (Honours) from Universiti Malaya in 1975 and has obtained an Advanced Management Programme qualification from Harvard Business School, Boston, USA in 2004.

He joined MITI as a Deputy Director in April 1975and served in various capacities in MITI for 35 years before retiring in December 2010 which included (a) Deputy Trade Commissioner, Malaysian Trade Office, New York, the USA; (b) Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; (c) Economic Counsellor/Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission, Malaysian Trade Office, Bangkok, Thailand; (d) Special Assistant to the Minister of MITI, Tan Sri Rafidah Aziz; (e) Board of Director, Malaysian Industry-Government Group for High Technology (MIGHT); (f) Director of Industries; (g) Senior Director, Policy and Industry, Services Division; (h) Chairman of Malaysia External Trade Development Corporation ("MATRADE"); (i) Deputy Secretary-General (Industry); and (j) Secretary General of MITI.

During his tenure in MITI, he also served as MITI's representative on the board of various government-linked companies and corporations including Malaysian Investment Develop ment Authority (MIDA), Johor Corporation, Regional Economic Development Authority (RECODA), Sarawak and Small and Medium Corporation Malaysia, Pahang State Economic Development Corporation, Malaysian Technology Development Corporation and MATRADE.

He had represented Malaysia in numerous international meetings, negotiations, conferences and symposiums and hadinvolved in formulating, implementing and monitoring policies and strategies on international trade and industries as well as entrepreneurship development.

He sits on boards of directors of several public listed companies in Malaysia including Hiap Teck Venture Berhad, Malaysian Industrial Development Finance Berhad, Dagang NeXchange Berhad and Parkson Holdings Berhad. He also sits on the the board of private limited companies in Malaysia ie: Lotte Titan Chemical Berhad, NAZA Corporation Holdings Sdn Bhd, Broadgate Engineering, Ocean Might Sdn Bhd, Innobio Sdn Bhd, Asia Logistics Council Sdn Bhd and Prisma Gallery Sdn Bhd.

He was an honorary member of the ASEAN Federation of Engineering Organisations, a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration and is the Chairman of the Advisory Board of the International Council for SME & Entrepreneur Malaysia, and Board of Trustee of Enactus Malaysia Foundation, a non-profit organisation aimed at grooming university students into future leaders.

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 of any non-traffic offences within the past five years.

BOARD OF **DIRECTORS**
(continued)

HON TIAN KOK @ WILLIAM
41 Years
Malaysian, Male
Managing Director/ Chief Executive Officer
Member of SIS Option Committee

Mr. Hon Tian Kok @ William 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.

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

Mr. 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 a 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 public listed 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 Bioalpha International Sdn. Bhd. ("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. He has not been convicted of any non-traffic offences within the past five years.

HO TZE HIUNG
40 Years
Malaysian, Male
Executive Director
Member of SIS Option Committee

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

Mr. 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 Bioalpha International Sdn. Bhd. ("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 of any non-traffic offences within the past five years.

BOARD OF **DIRECTORS**
(continued)

DATO' NORHALIM BIN YUNUS

54 Years

Malaysian, Male

Non-Independent Non-Executive Director

Member of Remuneration Committee

Dato' Norhalim Bin Yunus was appointed to our Board on 30 June 2011. Dato' Norhalim is the Chief Executive Officer of Malaysian Technology Development Corporation (MTDC).

Dato' Norhalim has been the CEO of MTDC since June 2008 and has extensive experience in early stage technology ventures, the commercialisation of universities' research results, and venture fund management. He has had the opportunity to be exposed to a wide range of technology ventures through his involvement in various funding initiatives.

As one of the pioneer staff of MTDC, Dato' Norhalim has wide ranging experience in the field of technology development and investment. MTDC has through the years funded projects in ICT, electronics, biotechnology and advanced material both in Malaysia and globally. He has represented MTDC on the board of several technology companies in Malaysia and The United States. Dato' Norhalim is a graduate of Universiti Kebangsaan Malaysia.

Currently, Dato' Norhalim sits as a Non-Independent Non-Executive Director on the Board of Globetronics Technology Bhd.

He attended six (6) Board Meetings held during the financial year ended 31 December 2016.

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 non-traffic offences within the past five years.

DATO' ROSELY BIN SAMSURI

64 Years

Malaysian, Male

Non-Independent Non-Executive Director

Member of Audit Committee and Nomination Committee

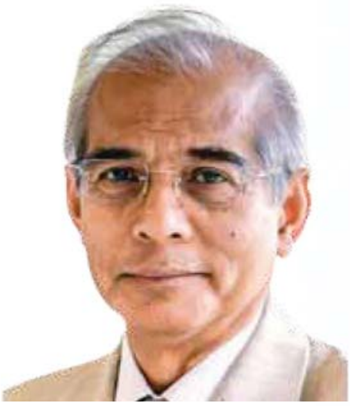
Dato' Rosely Bin Samsuri was appointed to our Board on 20 September 2013. He graduated with a Bachelor of Science (Finance) from Indiana State University, Indiana, US in 1983 and obtained a Master of Business Administration (International Business) from University of New Haven, Connecticut, US in 1985.

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 boards of Perbadanan Nasional Berhad ("PNS") and Permodalan Felcra Sdn Bhd and acts as the Chairman of Management Investment Committee of Permodalan Felcra Sdn 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 non-traffic offences within the past five years.

BOARD OF DIRECTORS (continued)



TAN SRI DATO' DR SYED JALALUDIN BIN SYED SALIM

73 Years

Malaysian, Male

Independent Non-Executive Director

Chairman of Remuneration Committee and SIS Option Committee

Member of Audit Committee and Nomination Committee

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim 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, Honoraris 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 Dato' 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 Dato' 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 Dato' Dr. Syed Jalaludin was the Founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by Ministry of Finance (Incorporated).

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 non-traffic offences within the past five years.

MOHD NASIR BIN ABDULLAH

51 Years

Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

En. Mohd Nasir Bin Abdullah was appointed to our Board on 12 February 2015. He is also the Chairman of the Audit Committee of the Company. En. 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.

En. 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, En. Mohd Nasir established MN Associates, an accounting firm which provides accounting, taxation, secretarial and management services, in 2013. He also hold an Income Tax and GST license by MDF.

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 non-traffic offences within the past five years.

BOARD OF **DIRECTORS** (continued)

DR. NIK ISMAIL BIN NIK DAUD

66 Years
Malaysian, Male
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Remuneration Committee

Dr. Nik Ismail Bin Nik Daud was appointed to our Board on 30 June 2011.

Dr. Nik Ismail, a fellow of International Academy of Food Science and Technology, 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 at undergraduate and graduate levels 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 resigned from the position in 2014.

He has been a member of many national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of and member of the National Food Safety 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 non-traffic offences within the past five years.

PROFILES OF
KEY SENIOR MANAGEMENT

GOH SIOW CHENG

35 Years

Malaysian, Female

Group Chief Financial Officer

She is responsible for overseeing the finance, accounting and human resources functions of our Group. She graduated with Bachelor of Business (Accounting & Finance) from University of Technology Sydney, Australia in 2003 and became a member of CPA Australia since 2007.

Goh Siow Cheng began her career with Grant Thornton, Malaysia as an Audit Associate in 2004 and was with the firm until 2010, where her last held position was Senior Manager. She joined Ernst and Young, Singapore as an Audit Manager in 2010 and subsequently left to join Wasco Energy Group of companies as Finance Manager in 2012. In 1 January 2014, she joined the Company as our Financial Controller, and was promoted to Group Chief Financial Officer in 21 April 2017.

Goh Siow Cheng brings with her about a decade of experience in accounting and audit for both private limited companies and public listed companies across various industries, including manufacturing, trading, property development, information technology and plantation.

She has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted for any non-traffic offences within the past five years.

LOW CHEN KONG

44 Years

Malaysian, Male

Group General Manager

He is responsible for overseeing the business operations of Production, R&D and Agriculture Division in Bioalpha Holdings Berhad. He is graduated with a Master of Science in Engineering Business Management from University of Warwick, United Kingdom.

Low Chen Kong began his career with Siemens Telecommunication System Ltd, in Taipei, Taiwan as a Technical Project Consultant (Pre-Sales) from April 2000 to January 2003.

He joined Comverse Network System Asia Pacific, Taipei, Taiwan as an Account Manager in January 2003 and subsequently left to join Motorola Corporation, Taipei, Taiwan as a Product Marketing Manager in 2004. He was promoted to be the Regional Product Management Manager in year 2008. In 1 November 2016, he joined Bioalpha Holdings Berhad as a Group General Manager.

He has strong technical background in embedded and telecommunications with proven track record of consistently exceeding company goals through strategic planning, business development, and project execution. He is also a business-savvy leader accomplished at reconciling tactical considerations with strategic goals.

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 non-traffic offences within the past five years.

PROFILES OF **KEY SENIOR MANAGEMENT** (continued)

OW PAK THUNG
35 Years
Malaysian, Male
Chief Executive Officer of Mediconstant Holding Sdn. Bhd.

He is responsible for overseeing the retail and pharmacy of our Group. He graduated with Bachelor of Pharmacy (Hons) from University Kebangsaan Malaysia (UKM) in 2006.

Ow Pak Thung began his career with Hospital Tuanku Ja'afar Seremban, Negeri Sembilan in 2006 as a Provisional Registered Pharmacist. In 2007, he joined Hospital Tuanku Ja'afar Seremban, Negeri Sembilan as a Registered Pharmacist until 2010.

He joined Mediconstant Pharmacy as a Pharmacist in 2010 and being promoted as a Franchise & Business Development Manager in 2013. He was promoted as a Chief Executive Officer of Mediconstant Holding Sdn. Bhd. in 1 March 2017.

Ow Pak Thung is a Member of the Malaysian Pharmaceutical Society (MPS) since July 2009 – Present. He is also a Member of the 'Know Your Medicines' Campaign Committee, Pharmaceutical Services Division, Negeri Sembilan.

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 non-traffic offences within the past five years.

LOH PENG YEOW
48 Years
Malaysian, Male
Strategic Advisor – Retail Chain Pharmacy

He is responsible for overseeing the retail and pharmacy. He graduated with Bachelor of Pharmacy (Hons) from University of Science of Malaysia in 1994. He is the Co-founder of Constant Pharmacy and has 20 years of experience in managing retail pharmacy business.

He was promoted as a Strategic Advisor of retail chain pharmacy in 1 March 2017.

Loh Peng Yeow is also a Committee Members of National Health Transformation projects such as Halal Medicine Program, Good Governance of Medicine (GGM) and Good Pharmaceutical Trading Practices (GPTP). He is Representative of Private Sectors for National Medicine Policy or DUNAS (Dasar Ubat Nasional) under Ministry of Health.

He is a Supreme Council Member 2014-2018 of Malaysia Community Pharmacy Guild (MCPG) and Treasurer in year 2005 to 2007.

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 non-traffic offences with the past five years.

SHAHRIZAL BIN SHARUDIN

38 Years

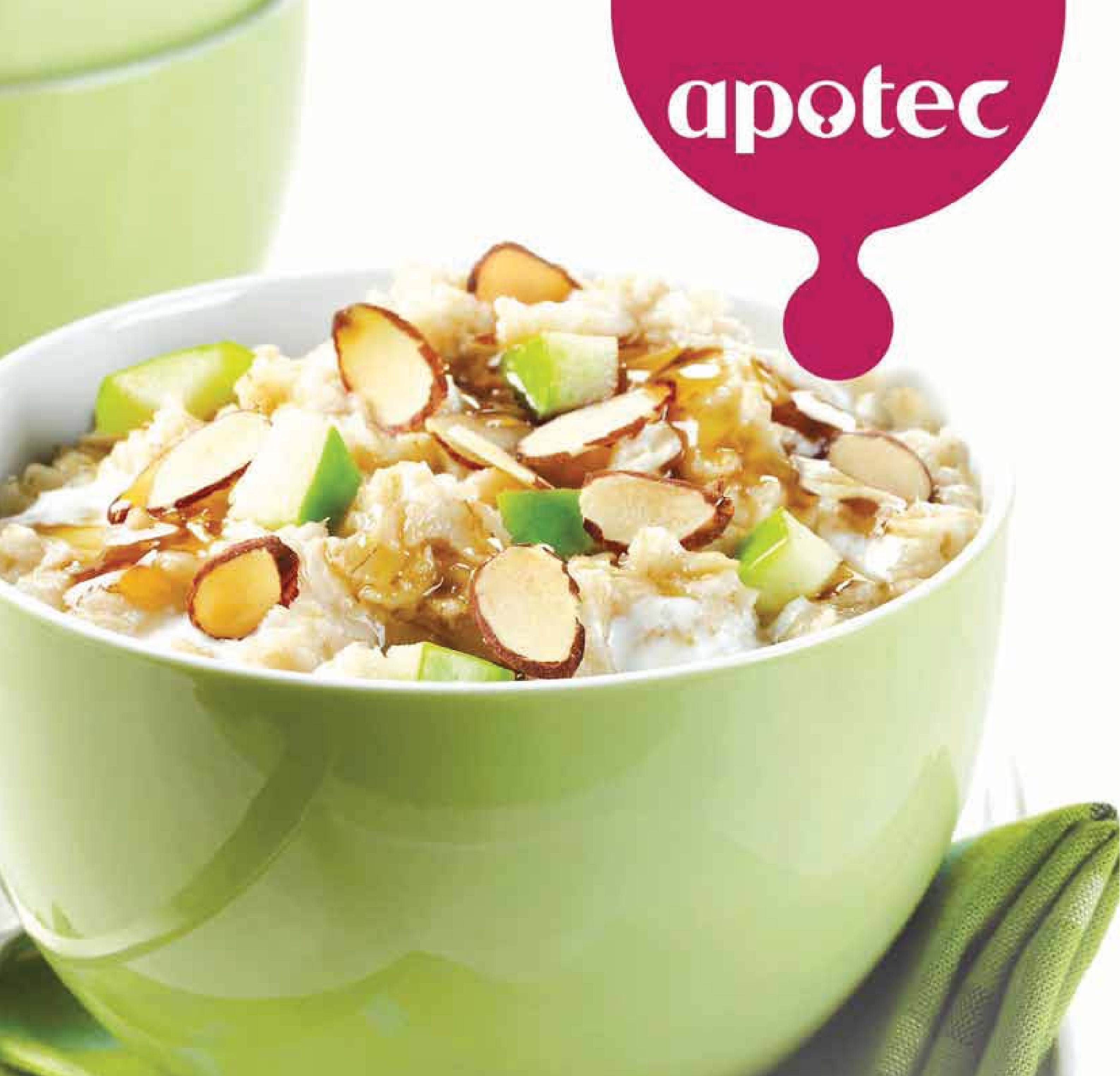
Malaysian, Male

Quality Assurance & Quality Control Manager

Shahrizal Bin Sharuddin is our Quality Assurance Manager and is responsible for overseeing all Quality Assurance (QA) & Quality Control (QC) activities to ensure compliance with company and regulatory requirements. He graduated with a Bachelor of Science in Chemistry from UPM in 2001 and became a Registered Chemist with Malaysian Institute of Chemistry (IKM) since 2010.

Shahrizal Sharuddin began his career in Pharmaniaga Berhad as a Junior Chemist in 2002. He later left to join Innovax Sdn Bhd as a Senior Chemist in 2006. He joined our Company in 2012 as a Senior Chemist, and was promoted to QA Manager in 1 January 2017. Over the years, he has garnered more than fifteen (15) years of experience in Research & Development and Quality Management.

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 non-traffic offences within the past five years.



HEALTH FOOD

CHAIRMAN'S **STATEMENT**

Dear Shareholders,

On behalf of the Board of Directors ("Board") of Bioalpha Holdings Berhad ("Bioalpha"), I am delighted to present to you the Annual Report and Audited Financial Statements of Bioalpha for the financial year ended 31 December 2016.

OVERVIEW & FINANCIAL HIGHLIGHTS

The economic conditions had been challenging in 2016 with rising cost of living, weakening of Ringgit and uncertainties in the global markets affecting overall consumer sentiments. Nonetheless, despite the challenging market environment, Bioalpha's performance remained robust, supported by a strong and healthy balance sheet.

Our Group had also been busy on the corporate front where we completed a Rights Issue with Warrants exercise in January 2017, and successfully raised a total of RM26.7 million. We are using the proceeds to facilitate our expansion plans over the next two years, lifting Bioalpha to the next quantum of growth.

During the financial year under review, our Group achieved a record high revenue of RM47.1 million, representing a growth of 58.6% or RM17.4 million year-on-year compared to a revenue of RM29.7 million in the preceding financial year. Furthermore, against the odds of challenging macroeconomic environment, we successfully delivered the Group's highest net profit of RM7.9 million, representing a 21.5% or RM1.4 million increase year-on-year as compared to RM6.5 million in 2015.

BUSINESS OVERVIEW

Bioalpha is a home-grown integrated health supplements company. We own the intellectual property rights to our proprietary liquid fermentation technology, which produces mycelium from medicinal mushrooms used in our health supplement products. To complement the production of our health supplement products, we have ventured upstream into farming as well as downstream into retail pharmacy, rendering us the position of an integrated health supplements company.

Integrated Farming

As the operator of the largest herbal parks in Malaysia with approximately 1,300-acres in Pasir Raja, Terengganu and Desaru, Johor, Bioalpha aims to be fully self-sufficient for herbal-based raw materials. Having control over our raw materials input is critical in ensuring and sustaining the quality of our health supplement products, in addition to enhancing our cost efficiency. We have completed the Phase I development of our Pasir Raja herbal park where

CHAIRMAN'S **STATEMENT**
(continued)

BUSINESS OVERVIEW (CONT'D)

Integrated Farming (Cont'd)

we planted more than 20 types of herbs over approximately 120 acres of land. We have recently commenced the Phase 2 development of Pasir Raja covering a land area of seven times the size of Phase 1, and we target to complete planting over the next 36 months. We plan to plant a total of some 100 types of herbs, up from the 20 types currently.

Research & Development ("R&D")

Bioalpha, as a biotechnology company, always strives to push the barriers of the field. Our in-house R&D team is continuously developing new formulations and have successfully generated more than 30 new formulations this year. Our R&D team is also continuously experimenting methods to further enhance our patent-pending proprietary liquid fermentation technology. This technology has provided our Group with a competitive edge and significantly reduces the duration required to cultivate medicinal mushrooms from one (1) year (grown in the wild) to just five days in a controlled water-based environment aided by the use of specially formulated mediums. We shall continue to devote our resources to our R&D initiatives to create proprietary formulations and new techniques in order to maintain our competitive advantage.

Manufacturing

Bioalpha produces a variety of health supplements – both herbal and non-herbal based. We market our products under our own brands – Apotec and Nushine in Malaysia, as well as Alpha Health in Indonesia. Besides being an Original Brand Manufacturer ("OBM"), we are also an Original Design Manufacturer ("ODM"), that is, we produce the products using our proprietary formulations but the products are sold under our customers' brands. With the support from our skilled R&D team who constantly develop new formulations, we are able to roll out new products periodically to excite the market and sustain demand. We plan to launch a number of new products across our key markets – Indonesia, China and Malaysia over the next two years.

Retail

In January 2016, we completed the acquisition of the "CONSTANT" pharmacy chain. During the year, we invested in efforts to rebrand and refurbish the stores to provide a fresh look to appeal to the public. We also streamlined the inventory or stock keeping units to increase the offering of our own brands. We plan to grow the pharmacy operation via franchise model in order not to burden our balance sheet. Additionally, we will continue to leverage on the strategic partnership with Angkatan Koperasi Kebangsaan Malaysia Bhd (Angkasa) through our joint-venture company MyAngkasa Holdings Sdn Bhd, to offer franchise opportunities to their members. We endeavour to double the number of existing Constant outlets by the end of 2017, targeting strategic areas in Kelantan, Johor, Kedah, and selected locations around the Klang Valley.

MARKET OUTLOOK

In 2016, the global economy expanded at a modest pace. According to Organisation for Economic Co-operation and Development (OECD), global gross domestic product (GDP) grew just under 3% in 2016. Back in Malaysia, our GDP grew 4.2% in 2016, with our central bank, Bank Negara Malaysia, projecting the economy to expand between 4.3%-4.8% in 2017, underpinned by strong domestic demand. Meanwhile, Smith Zander International, an independent market researcher, forecasts the health supplement manufacturing industry in Malaysia to grow to RM1.38 billion by 2018, representing a compounded annual growth rate (CAGR) of 11.5% between 2016 and 2018. The rising income of population and the growing health awareness are the key growth drivers of the industry.

Over at Indonesia, the country's GDP growth in 2016 is estimated at 4.9%-5.0%. Smith Zander International projects the health supplement market in Indonesia to grow to USD2.1 billion by 2018, a CAGR of 12.7% between 2016 and 2018, supported by the increasing awareness by the public on preventive health measures.

MARKET OUTLOOK (CONT'D)

Meanwhile, China, the world's second largest economy, registered a healthy GDP healthy growth of 6.7% in 2016. The health supplement market in China is estimated to grow to USD221.6 billion by 2018 at an impressive CAGR of 33.5% between 2016 and 2018, according to market study done by Smith Zander International. A rapidly ageing population, increasing urbanisation, growing disposable income and changing lifestyles are the underlying factors fuelling the growth.

PROSPECTS FOR 2017

We foresee 2017 to be another challenging year in light of the rising cost of living which may dampen consumer sentiments. Nonetheless, we at Bioalpha shall remain steadfast and focused on our expansion plans to enhance our presence across the domestic and international markets. We will ride on the growth of the health supplement industry and continue to leverage on our competitive advantages, with the aim to achieve stronger financial performance going forward.

I would also like to take this opportunity to share with you an exciting project that we will launch in the near term – the e-Constant online shop with referral programme, which is an exclusive offering for ANGKASA members. Through the referral programme, ANGKASA members will be able to earn extra income while Bioalpha would benefit from increased sales – a win-win partnership between Bioalpha and ANGKASA.

Meanwhile, on the corporate front, we have plans to apply for the transfer of our listing to the Main Market of Bursa Malaysia Securities Berhad upon meeting the necessary regulatory requirements.

CORPORATE GOVERNANCE

The Board places the interests of our stakeholders at the highest priority with the ultimate objective of continuously creating and enhancing stakeholders' value. The statement of Corporate Governance included in this Annual Report describes how the Group applies the principles of corporate governance.

APPRECIATION & ACKNOWLEDGEMENT

I would like to extend my heartfelt appreciation and gratitude to the Board, Management team and staff at Bioalpha for all the hard work and dedication committed.

I would also like to thank all our other stakeholders, including our valued shareholders and customers, business associates and suppliers, bankers, professional advisers, regulators and Government agencies namely, Perbadanan Nasional Berhad (PNS), Malaysian Technology Development Corporation (MTDC), Herbal Development Office (HDO), Ministry of Agriculture (MOA), Performance Management for Delivery Unit (PEMANDU), East Coast Economic Region Development Council (ECERDC), Malaysian Bioeconomy Development Corporation, Johor Biotechnology & Biodiversity Corporation (J-Biotech), ANGKASA, and Institute for Medical Research (IMR) for their unwavering support to Bioalpha. May we continue to forge ahead together and excel for Bioalpha.

Tan Sri Dato' Abdul Rahman Bin Mamat
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS BY MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

I am pleased to present to our shareholders the business and financial operational review of Bioalpha Holdings Berhad ("Bioalpha") for the financial year ended 31 December 2016 ("FY16"). FY16 was a great year for us at Bioalpha as we achieved record high revenue and net profit of RM47.1 million and RM7.9 million respectively.

BUSINESS OPERATIONAL REVIEW

As an integrated health supplements company, our business activities cover the entire value chain spectrum, from planting of herbs as raw materials required for our health supplements, to research and developments, manufacturing, distribution, and operating retail pharmacy chain.

I. Herbal Farming

What we did – Bioalpha operates the largest herbal parks in Malaysia at Pasir Raja, Terengganu and Desaru, Johor comprising an aggregate land area of approximately 1,300 acres. The herbal park at Pasir Raja spans across 1,003.2-acres, and is developed in collaboration with the East Coast Economic Region Development Council (ECERDC). Planting of herbs under Phase 1 of Pasir Raja herbal park was completed in 2015 where 123.5-acres of land has been fully planted with more than 20 types of herbs such as Tongkat Ali, Misai Kucing, Kacip Fatimah, Roselle, Hempedu Bumi, Dukung Anak and many more.

Meanwhile, our herbal park in Desaru spans more than 300 acres, and is developed in collaboration with J-Biotech Herbal Sdn Bhd, a unit under Johor Biotechnology and Biodiversity Corporation. Approximately 100-acres of the total land area have been fully planted.

Upon harvest, primary processing activities such as cleaning, drying and cutting of herbs are undertaken at the plants in the respective herbal parks before being brought to our main facilities at Bangi, Selangor for secondary processing into active ingredients.

What we plan to do – Our Group aims to be fully self-sufficient for herbal-based raw materials as it allows us to have better quality control and enjoy higher profit margins. During the year under review, we have started land clearing activities under Phase 2 expansion at the Pasir Raja herbal park, which involves an area of 879.7 acres. We aim to complete land clearing and planting of herbs under Phase 2 of Pasir Raja herbal park over the next 36 months. We will be able to harvest these plantations in a few years when the plants mature. We estimate that by 2020, the plants would reach maturity, potentially yielding a harvest of some 450 metric tonnes of herbs per annum – 100 metric tonnes from Phase 1 and 350 metric tonnes from Phase 2 of Pasir Raja herbal park. The output shall fully satisfy our in-house requirement for herbal-based raw materials, and the excess shall be sold to external parties to create additional revenue flow.

MANAGEMENT DISCUSSION AND ANALYSIS
BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
(continued)

II. Research and Development ("R&D")

What we did – R&D plays a pivotal part at Bioalpha. Continuous development of new formulations and techniques provides our Group with competitive advantages and product innovations. For example, one of the R&D team's achievements in 2016 was the successful commercialization of formulations based on Carica papaya leaves. These new products, available in extract and ready-to-drink forms, are known to help expedite platelet count increase in dengue patients, and represent tangible results from our dedicated R&D team.

The proprietary liquid fermentation technology was developed in-house and provided Bioalpha with competitive edge over our peers. The revolutionary technology allows us to produce biomass such as mycelium from medicinal mushrooms in 5 days while it takes 1 year to cultivate in the wild. We use mycelium as the active raw material ingredient for our medicinal mushroom-based health supplements. Our Group has thus far, successfully commercialised 2 strains of medicinal mushrooms – Cordyceps Sinesis & L. Rhinocherus (Tiger Milk Mushroom).

We are proud to note that our laboratory is accredited by Department of Standard, Malaysia and awarded the SAMM (MS ISO/IEC 17025:2005) certificate. The accreditation covers all major aspects in the laboratory analysis.

During the year under review, we continue to make good progress in the pre-clinical research studies on our "high-value herbal products", which is part of the Entry Point Project 1 ("EPP1") under the Economic Transformation Programme.

What we plan to do – Our R&D team will continue to develop new formulations, especially for the planned roll-out of new products across our key markets in Malaysia, Indonesia, and China over next two years. Meanwhile, for the pre-clinical research studies on the "high-value herbal" products, the results have been very encouraging and we plan to move forward to commence clinical research studies in 2017.

III. Processing and Manufacturing

What we did – We have set up a new manufacturing facility in Kampar, Pekan Riau of Sumatra, Indonesia. Having our own manufacturing facility in Indonesia enables us to produce our existing products as well as our planned new products quicker and this in turn, help us to better serve our customers there.

Over in Malaysia, we continuously explore ways to improve the production efficiency at our main processing facilities in Bangi, Selangor. Bioalpha has the capability to manufacture health supplements in capsule, tablet, sachet, liquid, and tea-bag form. We also have an automated liquid bottling line to produce ready-to-drink beverages. The manufacturing operations are accredited with the Good Manufacturing Practice ("GMP") by the Ministry of Health Malaysia ("MOH"), as well as the Hazard Analysis and Critical Control Points ("HACCP") certification.

What we plan to do – The Indonesian plant will commence manufacturing products for sale in the local Indonesian market. Meanwhile, back home in Malaysia, we will also be upgrading some machinery and equipment at our plants to further improve our capability and production efficiency.

IV. Products and Distribution

What we did – In 2016, Bioalpha introduced new Carica papaya leaf products in the form of sachet powder and ready-to-drink beverages under our own house brands. According to studies conducted by the Institute for Medical Research ("IMR")*, Carica papaya leaf juice was found to accelerate the rate of increase in platelet count among dengue patients. This indicates that Carica papaya leaf juice helps combat dengue fever and promote swift recovery in patients. To complement the products, we have also made available raw Carica papaya leaves that are harvested from our own natural herbal parks under controlled environment. In addition to our own brands, we also produce Carica papaya leaf products for our customer on ODM basis.

Bioalpha has been expanding its product distribution channel across our key markets – Indonesia, China, and Malaysia. For Indonesia, our Group collaborated with several distributors to distribute products under our own brand, Alpha Health. Our products are specifically formulated to suit the local taste buds of Indonesians. Over in China, we collaborated with several local distributors as well as the Muslim association at certain provinces

MANAGEMENT DISCUSSION AND ANALYSIS
BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
(continued)

BUSINESS OPERATIONAL REVIEW (CONT'D)

IV. Products and Distribution (Cont'd)

to distribute our products. For our domestic operations, we have been expanding our distribution reach by increasing our Constant brand retail pharmacy outlets and other selected pharmacy outlets.

What we plan to do – We will be launching new products across our key markets. For the Indonesian market, we target to launch new products in 2017. Given our successful past track record in Indonesia, we are positive that the new products will generate high interests in the market and stimulate new demand. The manufacturing requirement for the Indonesian market will be undertaken by our new manufacturing facility in the country. We will also actively seek new distributors in Indonesia to enhance our distribution channel.

Over in China, as part of our strategy to differentiate ourselves from competitors and to further grow our market share in the Chinese market, we have identified a new target segment, that is, the Muslim-majority provinces such as Xinjiang, Qinghai, Shaanxi, and Gansu, where we could on leverage our "Halal" certified products and appeal to the Muslim population in these regions. We plan to introduce five new products this year for this market. We will also engage with the Muslim associations of the respective provinces to improve our product distribution channel.

For our domestic market, we will unveil 5 new products in 2017 under our own brand, and shall be distributed via our Constant pharmacy outlets and other selected pharmacy outlets.

^Soobitha Subenthiran, Tan Chwee Choon, Kee Chee Cheong, et al., "Carica papaya Leaves Juice Significantly Accelerates the Rate of Increase in Platelet Count among Patients with Dengue Fever and Dengue Haemorrhagic Fever," Evidence-Based Complementary and Alternative Medicine, vol. 2013, Article ID 616737, 7 pages, 2013.

V. Retail

What we did – In January 2016, we completed the acquisition of a retail pharmacy chain operating under the brand "Constant". We have undertaken rebranding and refurbishing activities to provide a new look to the acquired outlets. We have also streamlined the stock keeping units at the outlets to increase the offering of our own brands. During the year, we opened a new outlet including our maiden outlet in Kelantan, which is our first outlet outside Klang Valley. We also relocated 2 outlets to more strategic locations. In total, we currently have 15 outlets.

What we plan to do – On the pharmacy expansion, our strategy is to increase our outlets via franchise model and we target to double the number of existing outlets by end of 2017. We have identified Kelantan, Johor, Kedah and selected places in Klang Valley as the potential locations for these new outlets. We will also continue to leverage on our strategic partnership with ANGKASA to promote the franchise opportunity to their 8 million members from some 12,000 cooperatives.

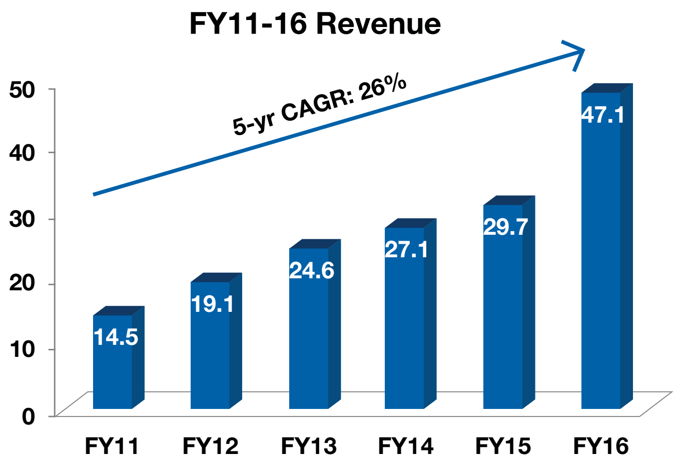
We are also embarking on another exciting project this year – the e-Constant online shop with referral programme. The e-Constant programme shall be made available exclusively for ANGKASA members where they could register as referral agents, and subsequently set up their personal e-Constant virtual shop to sell the products through the referral mechanism. In the process, the ANGKASA members will be able to earn some income. Bioalpha, through Constant Pharmacy, will manage the product fulfilment and delivery process. The e-Constant programme is part of our push to further promote our e-commerce initiatives. We believe this is a unique and attractive proposition with great potential to be realized.

FINANCIAL PERFORMANCE REVIEW

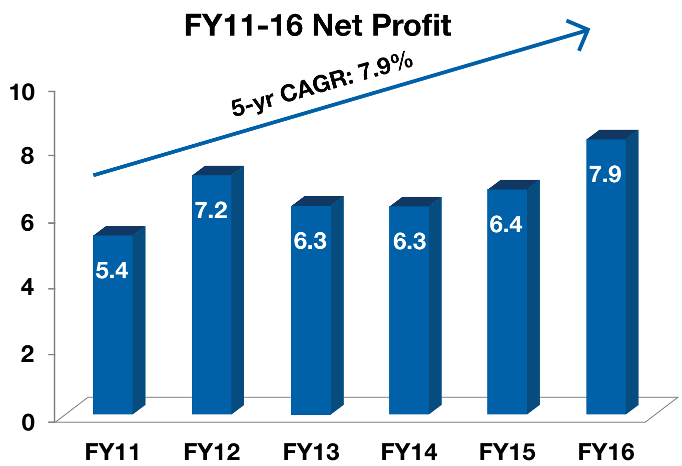
5-year revenue and net profit track record

For the financial year ended 31 December 2016, we recorded the highest ever revenue to date of RM47.1 million. Bioalpha recorded a commendable 5-year Compounded Annual Growth Rate ("CAGR") of 26% between FY11 and FY16, as illustrated in the chart below.

FINANCIAL PERFORMANCE REVIEW (CONT'D)



On our net profit track record, we have also successfully challenged ourselves to reach greater heights with our historic high net profit of RM7.9 million in FY16. This represented a 5-year CAGR of 7.9%.



FY16 performance review

Revenue

For the year under review, our revenue of RM47.1 million was an increase of 58.6% year-on-year ("YoY") or RM17.4 million against the RM29.7 million in FY15. The increase was mainly attributed to export growth from the manufacturing of health supplements division, particularly China, as well as the contribution from our retail pharmacy segment.

Export sales to China soared 56.6% YoY to RM13.0 million in FY16 from just RM8.3 million in FY15 as a result of progressive and aggressive marketing campaigns and participation in trade exhibitions in China during the year under review.

Meanwhile, retail pharmacy business generated maiden revenue of RM14.8 million for the Group in FY16.

MANAGEMENT DISCUSSION AND ANALYSIS
BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
(continued)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Gross profit margin

Bioalpha registered a gross profit margin of 41.4% in FY16. By comparison to the gross profit margin of 54.1% a year ago, the profit performance in FY16 was within management's expectation due to the nature of pharmacy business where profit margin is lower compared to manufacturing. However, the ownership of a pharmacy chain is a tactical and strategic move to strengthen the Group's distribution and exposure of house-brand products, which in turn, leads to higher sales.

Operating expenses

Operating expenses in FY16 increased 56.3% YoY due to several reasons. We have increased the staff force in our R&D team in order to further strengthen our capability and capacity in producing new formulations with commercial value. We set up a new franchise department to take care of the franchising matters along with the expansion plans for the pharmacy outlets. Additionally, there were expenses incurred during the year to rebrand and refurbish the existing pharmacy outlets. Lastly, there were one-off expenditures in relation to acquisition of pharmacy chain and corporate exercise in FY16.

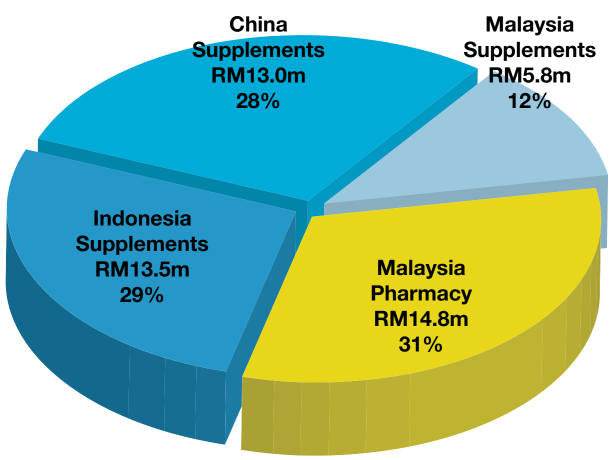
Net Profit

In tandem with the improved revenue, FY16 net profit surged to a record high of RM8.5 million, representing an increase of 25% YoY or RM1.7 million from RM6.8 million in FY15. The lower-than-proportionate increase in net profit was due to the increase in operating expenses explained earlier, but was partially offset by lower interest expense. Bioalpha's effective tax rate as a Group is lower than the statutory tax rate due to the BioNexus status held by our wholly-owned subsidiary, Bioalpha R&D Sdn Bhd. The Bionexus status is awarded to qualified companies undertaking value-added biotechnology activities and comes with certain tax break benefits.

Business Segment and Geographical Breakdown

Manufacturing remained the largest revenue contributor for the Group in FY16, accounting for 68.6% of total revenue, with the balances from retail pharmacy segment. By comparison, in FY15, manufacturing contributed 98.3% to total revenue with the balance from retail pharmacy. The venture into retail pharmacy has effectively diversified Bioalpha's revenue stream. Revenue from manufacturing in FY16 increased 10.6% YoY to RM32.3 million from RM29.2 million in FY15.

FY16 Sales Mix by Country



MANAGEMENT DISCUSSION AND ANALYSIS
BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
(continued)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Business Segment and Geographical Breakdown (Cont'd)

Within the manufacturing division, export sales of health supplement products to Indonesia was the highest contributor of revenue at 29%, followed by China (28%) and Malaysia (12%).

Outlook and Prospects

Going forward, we remain steadfast and focused on executing our expansion plans to further develop our three key markets – Indonesia, China, and Malaysia. We will increase our product offerings by introducing 16 new products to these markets in 2017 to fuel our earnings growth.

On the agriculture side, we will continue with our Phase 2 expansion at our herbal park in Pasir Raja, Terengganu which involves an area of 879.5 acres of land. We are currently undertaking land clearing activities, to be followed by planting exercise with the aim to complete planting over the next 36 months.

On downstream activity, our efforts are channelled towards growing the Constant pharmacy chain outside Klang Valley where competition is less intense. We aim to double our existing outlets by end of 2017. Part of the expansion plan involves Bioalpha collaborating with ANGKASA to provide franchising opportunities to all co-operatives members. Under our franchising program, we will also assist local entrepreneurs to obtain funding from eligible programs offered by Perbadanan Nasional Berhad (“PNS”).

Overall, given that the expansion plans are in full swing, and with the support from the dedicated team at Bioalpha, we are optimistic of our performance going forward.

Appreciation

I would like to express my appreciation to our dedicated team at Bioalpha for pushing the Group forward and achieving another great year in terms of overall performance. I would also like to express my gratitude to our customers, suppliers, business partners and government agencies for their continued trust and support. I also wish to convey my gratitude to our Board of Directors for guiding us through this exciting year. Lastly, my deepest gratitude is reserved for our shareholders and their consistent support.

Hon Tian Kok @ William
Managing Director/Chief Executive Officer

apotec

TEA RANGE

CORPORATE SUSTAINABILITY **STATEMENT**

The Board of Directors acknowledges the importance of corporate social responsibility ("CSR") and strives to fulfil the expectation of its stakeholders by enhancing its social environmental and economic performance while ensuring the sustainability and operational success of the company.

Sustainability is an integral part of the Group's business and the Group's corporate responsibility practices focus on five areas - Environment, Workplace, Research and Development, Market Place and Community, which aims to deliver sustainable value to society at large.

I) Environment

The Group recognises the impact of its day to day business on the environment. As such, the Group is committed by implementing environmentally friendly work processes while raising the environmental awareness among its staff.

The Group adopts the environmental best practices in its manufacturing processes. The Group's manufacturing facilities in Bangi, Selangor are accredited with the Good Manufacturing Practice ("GMP") as well as the Hazard Analysis and Critical Control Points ("HACCP"), a testament to the Group's commitment to ensuring environmental sustainability.

The Group's herbal park at Pasir Raja, which spans across 1,003.2acres, also holds the Malaysian Good Agriculture Practices ("MyGAP") certification issued by the Ministry of Agriculture and Agro-based Industry Malaysia ("MOA"). Meanwhile, the Group's herbal park in Desaru practices organic farming, that is free from pesticides.

II) Workplace

The greatest asset at Bioalpha is the people – the talents. The Group believes that employees are key resources that drive long term and sustainable organizational successes. With this in mind, the Group places priority on employee rights and opportunities, occupational health and safety, as well as talent development.

As an equal opportunity employer, the Group does not tolerate discrimination of any kind, and employee performance is assessed on merit basis.

On workplace diversity, the Group respects the different cultures, gender and religions of the employees as we understand that the diversity and differences give us broader range of competence, skills and experience to enhance the capabilities to achieve business results which is important for the overall business sustainability. Thus, the Group is committed to provide the staff an environment of equal opportunity to strive while promoting diversity in workforce.

The health and safety of employees are of paramount importance to the Group. In compliance with the Occupational Safety and Health Act 1994, we have health and safety policy in place to creates safe, pleasant and conducive working environment for the employees. The policy is regularly reviewed and updated to reflect the latest best practices in the industry.

Continuous talent development is another critical aspect at the Group. In order to optimize employee talents and capabilities, various in-house trainings, external training programmes and seminars are provided periodically to all employees to enhance their knowledge and skill while promoting a motivated working team and fostering a closer relationship with each other.

The Group also encourages employees to participate in sports and fitness programmes outside working hours such as badminton, futsal and bowling.

CORPORATE **SUSTAINABILITY RESPONSIBILITY** (continued)

III) Research and Development

As a biotechnology company, R&D has always played a pivotal role at Bioalpha. R&D has not only pushed Bioalpha forward and become more competitive and efficient but it has also broken down the barriers of the biotechnology field. The Group's current strong and effective R&D capabilities are result of heavy investments since the early days at Bioalpha. The Group also recognizes the crucial role these R&D capabilities could play in ensuring corporate and community sustainability. The Group's R&D team created the proprietary liquid fermentation technology in-house, enabling the Group to manufacture health supplements more efficiently and effectively. This in turn, allows the products be more marketed to public at affordable prices. In addition, the R&D team also creates more than 30 new formulations every year, with a number of them being commercialised into new products. This creates sustained excitement in the market for Bioalpha's products and contributes toward the overall sustainability of the Group. Bioalpha shall continue to invest in R&D activities with the aim to create value for stakeholders, to remain competitive and ensure sustainability, as well as to benefit the society.

IV) Market place

The Group is committed to ensure that the interests of all its important stakeholders – shareholders, analysts, bankers, customers, suppliers, authority bodies and public are being taken care of. The Group emphasizes on good corporate governance practices, transparency and accountability to meet shareholders' expectations.

There are various avenues for stakeholders to reach out to the leadership at Bioalpha. Management participates in various local and overseas investment conferences as and when the opportunity arises. We also organize investor briefings and media interviews periodically in order to keep stakeholders abreast of the developments at the Group.

The Group's corporate website, www.bioa.com.my, provides up-to-date and reliable information about the Group's business activities. Under the "Investor Relations" section, the stakeholders would find, amongst others, the Group's latest financial information such annual reports, quarterly results, analyst reports, as well as announcements to Bursa Malaysia Securities Berhad and media articles.

V) Community

The Group recognizes the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to nourish and improve the quality of the society at large.

As the anchor company under the ECERDC initiative, the Group plants local herbs in Pasir Raja with the aim to ultimately create a sustainable integrated herbal park. While the Group plants the herbs on a commercial basis, it also supports the local farmers at the same time by introducing sustainable business model and farming methods, which will greatly benefit the local community and economy. The integrated herbal park provides job opportunity for the locals with the intention to introduce economic sustainability to the farmers.

Other community activities we participated in included the Majlis Gotong-Royong at Kampung Permatang, Sg. Manik in Teluk Intan, Perak, which was organized by the MOA.

In addition to the above, as part of its community service, the Group had organised a number of members' days and Health Awareness Campaigns at selected outlets of Constant pharmacy retail chain where free health screenings are offered to members of the public.

In summary, the Group shall continue to fulfill its corporate social responsibility to enhance the community sustainability.

CORPORATE SOCIAL **RESPONSIBILITY**

As an integrated health supplement company, we are dedicated to contributing to the well-being of the communities in which we live, work and play

FOOD & NUTRITION

COMMUNITY ACTIVITY

HUMAN RESOURCE DEVELOPMENT

CORPORATE **SOCIAL RESPONSIBILITY**
(continued)

CARICA PAPAYA LEAF PRODUCTS LAUNCH

Bioalpha has launched its new Carica papaya leaf juice extract products in convenient ready-to-consume packaging to help patients suffering from dengue disease. The launching of the new products took place at the Malaysia Agriculture, Horticulture and Agrotourism (MAHA) Exhibition December 2016 in MAEPS, Serdang. We supplied the Institute for Medical Research (IMR) with fresh Carica papaya leaves from our herbal park to continue clinical studies on the efficacy of papaya leaves.

As part of Bioalpha's corporate social responsibility (CSR) program, the Group has provided 500 members of the public with free Carica papaya leaves since January 2017 at selected Constant Pharmacy, MBG and Natural Health Farm outlets.


KEMPEN BAKTI ABADI SURAU CAHAYA SPK

Bioalpha believes in adding value to the communities in which it operates and ensuring it upholds high standards of behavior and integrity in everything that it undertakes. As such, besides just getting involved in the communities, we endeavour to participate in Kempen Bakti Abadi Surau Cahaya SPK, Shah Alam.

Surau Cahaya SPK was completed in 2009 and is able to accommodate a capacity of 150-200 persons at one time.

Surau Cahaya SPK has received many visitors from year-to-year and due to space limitation, the committee and management team decided to expand the prayer space, lecture room, cooking compound and funeral rooms for the convenience of the public.

Bioalpha together with various NGOs provided funds to accomplish the above mentioned project that cost RM1.65 million under the approval of Perbadanan Wakaf Selangor (PWS).


CORPORATE **SOCIAL RESPONSIBILITY**
(continued)

TRAINING & DEVELOPMENT

Everyone in a company plays a crucial part to make every success a real achievement. That is how the Group values personal growth. Numerous trainings were conducted in order to assure personal growth that expedites company's success.

On-boarding programme has been conducted to facilitate newcomers with adequate knowledge of the Company's philosophies as well as code of ethics. This is to ensure every member under the same roof adapted to the Company's culture.

We are also continuously investing in the professional development of our employees.

EMPLOYEE ENGAGEMENT

At Bioalpha, we continue to make the most of employee engagement activities to communicate with and unify our employees. In 2016, we have continued to host staff communication sessions, Long Service Awards Annual Dinner, Sports Club and as well as having festive celebrations among the staff.

1. LONG SERVICE AWARDS

Long service awards were introduced in 2015 as a way for the Group to celebrate and commemorate the long-term commitment and loyalty employees who have achieved significant milestone years of service while also promoting long-standing careers.

The long service awards programme recognizes 5,10 & 15 years of employment with Bioalpha & Mediconstant. The award recipients were honoured at special event "Bioalpha Group Of Companies Annual Dinner 2016" held at Connexion @ Nexus, Bangsar South in December 2016.

CORPORATE **SOCIAL RESPONSIBILITY**
(continued)

At Bioalpha, our sports club are open for all staff to take on a range of activities outside of working hours for a healthy lifestyle.

To date, we have three teams consisting of Dragon, Phoenix and Griffin with various activities such as badminton, futsal and bowling.

FESTIVE EVENTS

1. CHINESE NEW YEAR

CORPORATE **SOCIAL RESPONSIBILITY**
(continued)

2. HARI RAYA AIDILFITRI GATHERING

3. FRUIT FIESTA

CONSTANT

Lifestyle and Wellness Pharmacy

CONSTANT RETAIL OUTLETS

KUALA LUMPUR

CHERAS:

83, Jalan 34/154,
Taman Dahlia, Cheras,
56000 Kuala Lumpur.
Tel: 03-9101 7018
Whatsapp/SMS: 016-8861679

SETAPAK:

33, Jalan 45A/26, Taman Sri Rampai,
Setapak, 53300 Kuala Lumpur.
Tel: 03-4149 7018
Whatsapp/SMS: 016-8861845

TMN TUN DR ISMAIL:

22-G, Jalan Mohd Fuad 2, Taman Tun Dr. Ismail,
60000 Kuala Lumpur.
Tel: 03-7727 0018
Whatsapp/SMS: 012-3588455

SUNGAI BESI:

24, Jalan Tasik Selatan 20C/146, Taman Desa Tasik,
Sungai Besi, 57000 Kuala Lumpur.
Tel: 03-9059 2018
Whatsapp/SMS: 016-8861842

TAMAN SRI JATI:

16, Jalan Sri Jati 1, Off Jalan Puchong,
Taman Sri Jati, 58200 Kuala Lumpur.
Tel: 03-77880018
Whatspp/SMS: 016-8861847

GOMBAK:

2794-4&5, Batu 5 1/4,
Jalan Gombak, 53000 Kuala Lumpur.
Tel: 03-40232018
Whatsapp/SMS: 016-8861675

GENTING KELANG:

195-G, Ground Floor, Jalan Genting Kelang,
53300 Kuala Lumpur.
Tel: 03-4031 7018
Whatsapp/SMS: 012-3216773

PUDU:

402, Jalan Pudu,
55100 Kuala Lumpur.
Tel/Fax : 03-21410018

SELANGOR

PUCHONG:

Pusat Perdagangan Puchong Prima, F-01-04,
Blok F, Jalan Prima 5/3, Taman Puchong Prima
47100 Selangor.
Tel: 03-8061 4018
Whatsapp/SMS: 016-8861840

AMPANG:

89, Lorong Mamanda 1,
Ampang Point, Jalan Ampang,
68000 Ampang, Selangor.
Tel: 03-4252 8018

MERU, KLANG:

145, Jalan Susur, Off Jalan Meru,
41050 Klang, Selangor.
Tel: 03-3343 6579
Whatsapp/SMS: 016-8861792

PERSIARAN RAJA MUDA MUSA, KLANG:

2984, Persiaran Raja Muda Musa,
41100 Klang, Selangor.
Tel: 03-3372 8891
Whatsapp/SMS: 016-8861795

SHAH ALAM:

20G, Jalan Murni 25/61, Taman Sri Muda,
40400 Shah Alam, Selangor.
Tel: 03-5525 4018
Whatsapp/SMS: 019-3978019

BANGI:

35-G-1, Jalan Medan Pusat Bandar 1A, Seksyen 9
43650 Bandar Baru Bangi, Selangor.
Tel: 03-89231018

KELANTAN

TANAH MERAH:

PT 614 @ 22-G,
Kompleks Perniagaan Humaira,
Taman Hiburan, 17500 Tanah Merah, Kelantan.
Tel: 09-9553018

JERTEH (OPENING SOON):

No. 338-G, Jalan Pasar Jerteh,
22000, Jerteh, Terengganu.

KOTA BHARU (OPENING SOON):

No. 55-G, Sec 27, Jalan Kebun Sultan, 15300, Kota Bharu, Kelantan

STATEMENT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENTS

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 2016 pursuant to Rule 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

PRINCIPLE 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 leading and managing the Group in an effective and responsible manner. Each Director has a 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 Clear Roles and Responsibilities

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in placed that effectively monitor and manage these risks with a view to the long term viability of the Group.

The principal roles and responsibility assumed by the Board are as follows:

- <u>Review and Adopt Strategic Plan of the Group</u>

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitor budgetary exercise which to support the Group's business plan and budget plan.

- <u>Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks</u>

  The Board is fully alert of the responsibilities to maintain a proper internal control system. The Board's responsibilities for the Group's system of internal controls of which including financial condition of the business, operational, regulatory compliance as well as risk management matters.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.2 Clear Roles and Responsibilities (Cont'd)

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy For The Group

  The Board recognises that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, The Company website is the primary medium in providing information to all shareholders and stakeholders.

- Succession Planning

  The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

  The Board, together with the Management, put in place informal structure and personnel practice to ensure key roles within the Group are supported by competent and caliber second-in-line personnel to reduce the impact of abrupt departure of key personnel to the minimum possible. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key business processes within the Group. In addition, during the review of the performance and strategies presented, at times, the Board reviews on the adequacy of caliber and competent human resources that are put in place for daily management and control of operations as well as proper execution of approved strategies.

The roles and responsibilities of the Board are clearly defined in the Board Charter, which is available on the Company's website at www.bioa.com.my

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Board will normally hold meetings at least four (4) times in each financial year to consider:-

i) relevant operational reports from the management;
ii) reports on the financial performance;
iii) specific proposals for capital expenditure and acquisitions, if any;
iv) major issues and opportunities for the Company, if any; and
v) quarterly financial statements for announcement to authorities.

The following are matters reserved for Board deliberation and decision, which are non-exhaustive and may be varied from time to time:-

- delegation of powers to Board Committees;
- receiving and approving reports and recommendations from Board Committees;
- approving strategic business plans, mergers and acquisitions of a substantial value;
- major investment or divestment of current businesses;
- changes to the group structure;
- provision of indemnities or corporate guarantees; and
- appointment of a senior independent director amongst the Board members.

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Managing Director/ Chief Executive Officer ("CEO") holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Managing Director/CEO assisted by other Executive Director, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to four (4) Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Share Issuance Scheme ("SIS") Option Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

1.3 Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference on the Company's website at www.bioa.com.my

1.4 Strategies Promoting Sustainability

The Board is aware of the importance of business sustainability and reviews operational practices which has impact on sustainability of environment, governance and social aspects of its business on a regular basis.

The Group is committed to the continuous efforts in maintaining a delicate balance between its sustainability agenda and other stakeholders' interest. The details of the sustainability efforts are set out in the "Corporate Sustainability Statement" on page 31 of this Annual Report.

STATEMENT ON CORPORATE **GOVERNANCE**
(continued)

PRINCIPLE 1 : ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.5 Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek clarification as and when they may need advisers or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the CompanySecretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and SIS Option Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the cost involved.

1.6 Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 2: STRENGTHEN COMPOSITION

2.1 Nomination Committee ("NC")

As recommended by the MCCG, the Company has established the NC comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. The NC is aware of their duties and responsibilities.

As a whole, the Company maintains an adequate number of Board members. The present members of the NC as follows:-

Chairman:	Dr. Nik Ismail Bin Nik Daud (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)

The Terms of Reference of the NC can be viewed on the Company's website at www.bioa.com.my

The NC shall meet at least once a year unless otherwise determined by the NC. The Quorum for meeting and/or for the sanction and endorsement of approvals in writing shall be at least two (2) members, of which at least one (1) shall be an independent director.

In fulfilling its primary objectives, the NC shall undertake, amongst others, the following duties and responsibilities :

i) regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;

ii) evaluate the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;

iii) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;

iv) prepare a description of the role and capabilities required for a particular appointment;

v) identify and nominate for the approval of the Board, candidates to fill board vacancies as and when they arise;

vi) determine the process for the identification of suitable new candidates, the NC will ensure that an appropriate review or search is undertaken by an independent third party to ensure the requirement and qualification of the candidate nominated;

vii) make recommendations to the Board on candidates it considers appropriate for appointment; and

viii) recommend to the Board concerning the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Article of Association.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

2.1 Nomination Committee ("NC") (Cont'd)

The summary of activities undertaken by the NC during the financial year included the followings :

i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board; and

ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

2.2 Remuneration Committee ("RC")

In line with the best practices of the MCCG, the Board has set up a RC comprise a majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration. The present members of the RC are as follow:-

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

The Terms of Reference of the RC can be viewed at the Company's website at www.bioa.com.my

The Board believes the remuneration policy was fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organizations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

The summary of activities undertaken by the RC during the financial year included the following :

(a) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors; and

(b) Reviewed the Terms of Reference of the RC.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

2.3 SIS Option Committee

The SIS Option Committee was established on 12 January 2017. The SIS Option Committee is primarily responsible for administering the Company's SIS in accordance with the approved SIS By-Laws and regulations. The present members of the SIS Option Committee are as follows:-

i) Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)
ii) Hon Tian Kok @ William
iii) Ho Tze Hiung
iv) Goh Siow Cheng

2.4 Criteria for Recruitment

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

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

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

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

(i) The NC reviews the Board's composition through Board assessment/evaluation;
(ii) The NC determines skills matrix;
(iii) The NC evaluates and matches the criteria of the candidates;
(iv) The NC recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

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

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

STATEMENT ON CORPORATE GOVERNANCE (continued)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

2.5 Criteria for Board Assessment

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2016, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

2.6 Re-election of Directors and Re-Appointment of Directors by Rotation

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board may only hold office until the next following Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. The Articles also provide that one-third of the Directors, are subject to retirement by rotation at every AGM but are eligible for re-election provided always that each Directors shall retire from office at least once in every three years.

2.7 Boardroom and Gender Diversity

The Board recognises the importance of diversity in its composition in ensuring its effectiveness and good corporate governance. Although the Board has yet to establish any diversity policy. However, the Board will consider females onto the Board in due course to bring about a more diverse perspective.

2.8 Directors' Remuneration

Details of Director's remuneration are set out below and in note 30 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	149	873	1,022
Non-executive Directors	180	32	212

* other emoluments include bonus and the Company's contribution to the Employees' Provident Fund, and meeting allowance

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 2: STRENGTHEN COMPOSITION (CONT'D)

2.8 Directors' Remuneration (Cont'd)

(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
Below RM50,000	–	6
RM300,001 to RM350,000	1	–
RM450,001 to RM500,000	1	–

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 MCCG.

PRINCIPLE 3: REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board has set out policies and procedures to ensure effectiveness of the Independent Directors on the Board, including new appointment. The Board assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise its independent judgment at all times and to contribute to the effective functioning of the Board.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

Based on the assessment carried out during the financial year ended 31 December 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the AMLR.

3.2 Tenure of Independent Directors and Shareholders' Approval for the Re-Appointment of Independent Directors Who Have Served More Than Nine (9) Years

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an independent director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting.

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 3: REINFORCE INDEPENDENCE (CONT'D)

3.3 Composition of the Board

The Company is managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. This brings diversity and insightful depth to the company leadership and management.

The Board consists of eight (8) members, as designated below:

One (1) Independent Non-Executive Chairman;
One (1) Managing Director/Chief Executive Officer
One (1) Executive Director;
Two (2) Non-Independent Non-Executive Directors; and
Three (3) Independent Non-Executive Directors.

The profile of each Director is presented separately in pages 12 to 16 of this Annual Report.

The members of the Board are professionals with calibre and entrepreneurs equipped with industry specific knowledge and experience. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives. The Board is of the opinion that the directors, with their different background and specializations, collectively bring with them the required expertise and experience to discharge the Board's duties and responsibilities.

3.4 Separation of Positions of Chairman and Managing Director/Chief Executive Officer ("CEO")

During the financial year under review, the Company has complied with the recommendation of the MCCG where the positions of the Chairman and the Managing Director/CEO are held by different individuals, and that the Chairman is a non-executive member of the Board.

The roles of the Chairman and the Managing Director/CEO are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Chairman is not related to the Managing Director/CEO, and is responsible in leading the Board in the oversight and supervision of the Group's management; whilst the Managing Director/CEO is responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.

3.5 Independent Chairman

During the financial year under review, the Board is chaired by an Independent Non-Executive Director and one-third (1/3) of the Board consists of Independent Non-Executive Directors.

The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 4: FOSTER COMMITMENT

4.1 Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board members at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the AMLR.

Each Board member is required to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors as set out in the section below.

During the financial year under review, there were seven (7) Board Meetings were held and the attendance record of the current Board members is reflected as follows:-

Name of Directors	Attendance	Percentage of Attendance
Tan Sri Dato' Abdul Rahman Bin Mamat	7/7	100%
Hon Tian Kok @ William	7/7	100%
Ho Tze Hiung	7/7	100%
Dato' Norhalim Bin Yunus	6/7	85%
Dato' Rosely Bin Samsuri	5/7	71%
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	5/7	71%
Dr. Nik Ismail Bin Nik Daud	7/7	100%
Mohd Nasir Bin Abdullah	7/7	100%
Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir (resigned w.e.f. 30/08/2016)	3/6	50%

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2016.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the AGM. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

4.2 Continuing Education Programs/ Directors' Training

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/ conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needs of each of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars / conferences / training programmes attended by the Board members during the financial year as listed below:

Director	Seminars / Conferences / Training Programmes Attended
Tan Sri Dato' Abdul Rahman Bin Mamat	• Directors Training – Finance for non finance - Language in the Board Room – Parkson Berhad • B20 Taskforce for G20 Meeting China – Member Trade & Investment Taskforce and SME Development Taskforce • 12th INSME Annual Meeting at Doha/Qatar in collaboration with Qatar Development Bank "Enabling Smart SMEs as Key to Success" 12th to 14thof April 2016 • B20 China First Joint – Member Trade & Investment Taskforce and SME Development Taskforce, Washington DC • B20 OECD PARIS-BIAC-B20 Roundtable on Financing SMEs in Global Value Chains • Why Directors & Management need to ask questions by: Andrew Fastow Ex-CFO of Enron - Malaysian Technology Development Corporation (MTDC) • Financial Institutions Director's Education FIDE Core Programme (Module A and B – Bank) Bank Negara • Corporate Governance Breakfast Series – "How to Leverage on AGMs for Better Engagement with Shareholders" - The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) with the support of Bursa Malaysia Berhad • Briefing on Transfer Pricing, Corporate Sustainability Reporting, Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements by KPMG
Hon Tian Kok @ William	• 14th Medicinal & Aromic Seminar 2016 • South East Asia Venture Capital & Private Equity 2016 • Bio-Malaysia Asia Pacific Bio-Economy 2016 • STS Forum on SME (ICT & BIOTECHNOLOGY) • Dialogue Session with National Pharmaceutical Control Bureau • CONSTANT Bond2Win Leadership Training

PRINCIPLE 4: FOSTER COMMITMENT (CONT'D)

4.2 Continuing Education Programs/ Directors' Training (Cont'd)

Dato' Norhalim Bin Yunus	• SEALA Small Group Discussion for SEALA Workshop • Annual National Seminar on Directors Duties, Governance - Malaysian Institute of Corporate Governance • Micro, Small and Medium Enterprises (MSME) Finance - Council for Islamics Banks (CIBAFI) and Islamic Development Bank (IDB) • 9th QS World Class : UTM-MTDC Strategic Alliance to Accelerate Innovation and Commercialization • Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore - What Every Director Ought to Know - Singapore Institute of Directors (SID) • 12th WIEF - Decentralising Growth, Empowering Future Business • 33rd International Association of Science Parks (IASP) World Conference, Moscow St Petersburg International Innovation Forum • 20th Annual Conference of Asian Science Park Association (ASPA 2016)
Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim	• Period Speaker Bets Asia Conference Kuala Lumpur • Role in Regional Education Transformation ASAIHC Conference Putrajaya • The World Halal Industry Keynote Address Punjah Halal Development Agency Conference Lahore
Dr Nik Ismail Bin Nik Daud	• 18th World Congress of Food Science and Technology • Focus Group Discussion with F&B. Paper Presented: Continuing Education for the Food Industry
Mohd Nasir Bin Abdullah	• Seminar Bajet 2017 - Malaysian Association of Tax Accountants (M.A.T.A) • Improving Audit Effectiveness – Federation of Public Listed Companies Berhad
Ho Tze Hiung	• Junior Chamber International ("JCI") Malaysia National Partnership 2016 • JCI Kuala Lumpur E-Awards Training 2016 • JCI Malaysia Annual National Convention 2016 • JCI Malaysia Annual National Convention 2016 • Junior Chamber International Malaysia 2016 • JCIM Area Sarawak Convention 2016 • 13th Area Sabah Convention 2016

Save as disclosed above, Dato' Rosely Bin Samsuri was not able to attend any seminars and/or training programmes during the financial year due to overseas travelling and his busy work schedule. However, he has kept himself abreast on financial and business matters through readings and attending overseas meetings to enable them to contribute to the Board. He is also aware of his duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the AMLR on continuing education.

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2016 are prepared in accordance with the Malaysian Financial Reporting Standards, AMLR and the Companies Act, 1965. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

The statement by the Board pursuant to Rule 15.26(a) of the AMLR on its responsibilities in preparing the financial statements is set out in page 54 of this Annual Report.

5.2 Assessment of Suitability and Independence of External Auditors

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

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

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

i) the adequacy of the experience and resources of the External Auditors;

ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

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

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

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2016.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the AGM on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2017.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

6.1 Risk Management and Internal Control

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

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

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

The information on the Group's internal control is further elaborated in page 56 to 58 on the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the AMLR.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.bioa.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to investorrelations@bioa.net.

7.3 Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

STATEMENT ON CORPORATE **GOVERNANCE** (continued)

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (CONT'D)

7.3 Dialogue with Shareholders (Cont'd)

The Managing Director/CEO and/or Executive Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

PRINCIPLE 8 - STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Annual General Meeting

The AGM is the principal forum for dialogue with the shareholders. The shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

8.2 Poll Voting

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

8.3 Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the AMLR; and
iv) AGM.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" on page 7, section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

STATEMENT OF DIRECTORS' RESPONSIBILITY
in respect of the Audited Financial Statements

The Directors are responsible for the preparation of financial statements prepared for each financial year to give a true and accurate view of the state of the Group and the Company of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

i) Overseeing the overall conduct of the Company's business and that of the Group;
ii) Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
iii) Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
iv) Adopting suitable accounting policies and apply them consistently;
v) Making judgments and estimates that are reasonable and prudent; and
vi) Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that proper accounting and other records which are closed with reasonable accuracy at any time the financial position of the Group and ensuring that the financial statements comply with the AMLR, the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate throughout the financial year 31 December 2016. The statement is made in accordance with a resolution of the Directors dated 21 April 2017.

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 which outlines the key elements of the risk management and internal control system within the Group. The Risk Management and Internal Control Statement is made in compliance with Rule 15.26(b) of Ace Market Listing Requirements ("AMLR") and Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guideline").

B. BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and risk management to maintain a sound system of internal control to safeguard shareholders 'investments and the Group's assets and also for reviewing the adequacy and integrity of the system. Notwithstanding, due to the limitations that are inherent in any system of internal control, Group' internal control system and risk management framework are designed to manage, rather than eliminate, the risk of not adhering to the Group's policies, and achieving objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement, loss or fraud.

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 Malaysian Code On Corporate Governance 2012 ("MCCG 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; and

(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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

D. SYSTEM OF INTERNAL CONTROLS

The Board acknowledges its overall responsibility for maintaining a sound 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 Board outsources the internal audit function to an independent professional firm. The firm is appointed by AC and reports directly to the AC. Its role us to provide the AC with regular assurance on the continuity, integrity and effectiveness of the internal control system through regular monitoring and review of the internal control framework and management processes.

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.

The total cost incurred by the internal audit function is at RM42,000 for the financial year ended 31 December 2016.

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 54 of this annual report.

F. OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's System of internal control are:

a) Management Structure

The Group maintains a formal organisation structure with clear lines of accountability and responsibility. The daily running of the businesses is entrusted to the Executive Directors and their Management teams. The heads of each operating subsidiary and department of the Group are empowered with the responsibility of managing their respective operations.

b) Strategic Business Plan and Annual Budget

The Board constructively challenges and contributes to the development of the Group's strategic directions and annually reviews the Group's strategic business plan. The Board probes Management to ensure Management has taken into consideration the varying opportunities and risks whilst developing the strategic business plan.

The Group's annual strategic business plan and budget is reviewed, deliberated and approved by the Board.

The expectations of the Board are clearly discussed with, and understood by, Management. The Board is also responsible for monitoring the implementation of the strategic business plan and for assessing the actual performance of the Group against the annual strategic business plan and budget as well as to provide guidance to the Management.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**
(continued)

F. OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

The other key elements of the Group's System of internal control are: (Cont'd)

c) Reporting and Review

Periodic operational and financial reports are prepared and presented to the Board for discussion and review based on the established reporting hierarchy within the Group. Ad-hoc and scheduled meetings are held at operational and management levels to identify operational issues, discuss and review the business plans, budgets, financial and operational performances of the Group, and etc.

d) Quality Compliance

The Group's plant is certified as Good Manufacturing Practice ("GMP") compliance by the Ministry of Health, Malaysia, which affirms that the Group adopts the required standards in the manufacturing processes and facilities, i.e. production of health supplements. Moreover, the GMP and the products are Certified Halal by the Department of Islamic Development Malaysia.

e) Internal Policies and Procedures

Policy and procedures, handbook, guidelines and authority limits have been established to guide personnel on day-to-day operational activities.

f) Related Party Transactions

Related party transactions (if any) are disclosed, reviewed and monitored by the Audit Committee and presented to the Board on a periodical basis.

G. ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL

The Board has received assurance from the Managing Director/Chief Executive Officer and Chief Financial Officer 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.

H. REVIEW OF THIS STATEMENT

Pursuant to paragraph Rule 15.23 of the AMLR, the External Auditors have reviewed this statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2016 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.

I. CONCLUSIONS

The Board is satisfied that, during the year under review, the existing system of internal controls and risk management 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.

This statement is made in accordance with the resolution of the Board dated 21 April 2017.

AUDIT COMMITTEE **REPORT**

The AC was established with the primary objective of assisting the Board in the areas of corporate governance, system of internal control, risk management, and management and financial reporting practices of the Group

COMPOSITION

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)

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee which laid down its duties and responsibilities are accessible via the Company's website at www.bioa.com.my

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2016, the Audit Committee held five (5) meetings. Details of the attendance of committee members are as follows:

Members	Attendance
Mohd Nasir Bin Abdullah*	5/5
Dato' Rosely Bin Samsuri	4/5
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	4/5

*Member of Malaysian Institute of Accountants

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The activities of the Audit Committee during the financial year ended 31 December 2016 include the following:

a) Reviewed the quarterly unaudited financial results of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

b) Reviewed with External Auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2016;

c) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

d) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

AUDIT COMMITTEE **REPORT**
(continued)

SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (CONT'D)

e) Evaluated the performance of the External Auditors for the financial year ended 31 December 2016 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

f) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

g) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;

h) Reviewed the effectiveness of the Group's system of internal control;

i) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

j) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

k) Reviewed the Company's compliance with the AMLR, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

l) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and

m) Report to the Board on its activities and significant findings and results.

INTERNAL AUDIT FUNCTIONS

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan will be approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

The cost incurred for the Internal Audit function during the financial year is approximately RM42,000.

AUDIT COMMITTEE **REPORT**
(continued)

INTERNAL AUDIT FUNCTIONS (CONT'D)

During the financial year, the following activities were carried out by the internal auditors in discharge of their responsibilities:

i) Procurement Review – Bioalpha International Sdn. Bhd.; Bioalpha R&D Sdn. Bhd.

Key Objectives:-

- To ensure items purchased are at a competitive price.
- To ensure payment to suppliers on timely manner.
- To ensure purchase is made according to requisition request.
- To ensure purchase is performed in timely manner to avoid stock shortage.
- To prevent excessive purchase.
- To address issues or concerns as requested by Audit Committee or senior management.

ii) Procurement Review – Mediconstant Pharmacy Sdn. Bhd.

Key Objectives:-

- To ensure items purchased are at a competitive price.
- To ensure payment to suppliers on timely manner.
- To ensure purchase is made according to requisition request.
- To ensure purchase is performed in timely manner to avoid stock shortage.
- To prevent excessive purchase.

iii) Warehouse Management Review – Mediconstant Pharmacy Sdn. Bhd.

Key Objectives:-

- To determine that the Warehouse Management are operating as intended according to documented policies/ procedures/ guidelines established.
- To determine the effectiveness storing layout (i.e. first in, first out; easy identify; and accessibility).
- To ensure stocks being kept under controlled environment (i.e. (1) Preventing damage & contamination; (2) Protecting against fire & pests; and (3) controlled temperature according to goods' storage requirement).
- To ensure the warehouse being safeguarded at all times (i.e. CCTV; Security Guard; Insurance Coverage; and etc)
- To ensure incoming and outgoing stocks being documented, recorded and monitored.
- To ensure monitoring over obsolete stocks; and slow moving products.

iv) Human Resource Management ("HR") – Bioalpha Holdings Berhad

Key Objectives:-

Policy and procedures

- To ensure established HR policy and procedures are documented for employees' reference.
- To ensure HR policy and procedures are periodically reviewed and revised (when necessary).

Manpower and succession planning

- To ensure manpower are planned/ budgeted for; and approved by the Management.
- To ascertain if a structured succession plan is in place, in particular for key positions in the organisation.

Recruitment process

- To ensure recruited candidates are able to support the company's operations.
- To ensure all recruitment/ appointment is approved by the authorised personnel.

AUDIT COMMITTEE **REPORT**
(continued)

INTERNAL AUDIT FUNCTIONS (CONT'D)

iv) Human Resource Management ("HR")– Bioalpha Holdings Berhad (Cont'd)

Key Objectives:- (Cont'd)
Resignation and termination/ dismissal process
- To ensure the resigning employee's last working date is communicated to the respective departments for amongst others, return of company's assets, timely deactivation of user access in application system(s), etc.
- To ensure the relevant authority is timely notified on the resigned employee's status.

Payroll; and benefits entitlement and claims process
- To ensure salary and benefits incurred are supported and are for valid employee working with the company.
- To ensure salary, benefits and claims are checked and approved by the authorised personnel prior to remittance.
- To confirm statutory contributions are timely remitted to the statutory body (i.e. EPF and SOCSO).

Employees' performance management
- To ensure employees' work performance is continuously monitored and formally assessed.
- To ensure employees receive adequate training to discharge their duties and responsibilities effectively.

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

For further details on the risk management, internal controls and internal audit functions, please refer to the Statement on Risk Management and Internal Control on pages 56 to 58 in this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2016 were as follows:

		Company (RM)	Group (RM)
Audit Services Rendered		29,000	116,748
Non-Audit Services Rendered			
(a)	Review of Statement on Risk Management and Internal Control	5,000	5,000
(b)	Due diligence review on Mediconstant Holding Sdn. Bhd.	40,000	40,000
(c)	Independent Poll Scrutineer in Extraordinary General Meeting	3,000	3,000
(d)	Preparation of ProForma Consolidated Statement of Financial Position	20,000	20,000

2. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

There was no recurrent related party transaction of revenue or trading nature during the financial year ended 31 December 2016.

3. REVALUATION POLICY

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

4. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

There was no other material contract and/or contracts relating to loan entered into by the Company and/or its subsidiary companies involving Directors and Major Shareholders' interests.

5. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

On 10 January 2017, the Company completed the renounceable Rights Issue of 133,333,131 Rights Share(s) together with 133,333,131 Warrants at an issue price of RM0.20 on the basis of 1 Rights Share for every 5 Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed. The Right Share(s) with Warrants were listed and quoted on the ACE Market of Bursa Securities.

The status of utilisation of the proceeds of approximately RM26.67 million is as follows:-

No.	Purpose	Approved Utilisation RM'000	Actual Utilisation	Intended time frame For utilisation (from the listing date)
(a)	Production of new products	13,500	–	Within 18 months
(b)	Capital expenditure	3,500	–	Within 18 months
(c)	Expansion of agriculture business operations	8,500	–	Within 18 months
(d)	Working capital	512	(512)	Within 6 months
(e)	Estimated expenses	655	(655)	Within 1 month
	Total	26,667	(1,167)	

FINANCIAL STATEMENTS

for the year ended 31 December 2016

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 2016.

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
Profit/(Loss) for the financial year	7,924,216	(885,662)
Attributable to:		
Owners of the parent	8,488,811	(885,662)
Non-controlling interests	(564,595)	-
	7,924,216	(885,662)

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

There was no dividend proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its authorised share capital from RM25,000,000 to RM100,000,000 through the creation of 1,500,000,000 ordinary shares of RM0.05 each.

During the financial year, the Company issued:

(a) 18,867,924 new ordinary shares of RM0.05 each at issue price of RM0.265 per ordinary share for a total consideration of RM5,000,000 as discharge of the purchase consideration for an acquisition of a subsidiary company.

(b) 17,718,962 new ordinary shares of RM0.05 each at issue price of RM0.330 per placement share for cash arising from private placement.

(c) 166,665,655 new ordinary shares of RM0.05 each at RM8,333,282 by way of bonus issue on the basis of one bonus share for every three existing ordinary shares held.

The new ordinary shares issued during the financial year rank pari passu in respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

DIRECTORS' REPORT
(continued)

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Tan Sri Dato' Abdul Rahman Bin Mamat
Hon Tian Kok @ William
Ho Tze Hiung
Dr Nik Ismail Bin Nik Daud
Dato' Norhalim Bin Yunus
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim
Mohd Nasir Bin Abdullah
Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir (Resigned on 30.8.2016)

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 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Interests in the Company:				
Direct interests				
Hon Tian Kok @ William	82,828,717	57,050,123	11,500,000	128,378,840
Ho Tze Hiung	–	133,333	–	133,333

By virtue of his interests in the shares of the Company, Hon Tian Kok @ William is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent the Company has an interest under Section 6A of the Companies Act, 1965.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of 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 corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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**
(continued)

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 or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

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

(d) In the opinion of 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, except as disclosed in the notes to the financial statements; 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
(continued)

SIGNIFICANT EVENTS AND SUBSEQUENT EVENTS

The significant events and subsequent events are disclosed in Notes 37 and 38 respectively.

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 21 April 2017.

HON TIAN KOK @ WILLIAM **HO TZE HIUNG**

KUALA LUMPUR

STATEMENTS 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 76 to 143 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 at 31 December 2016 and of their financial performance and cash flows for the financial year ended.

The supplementary information set out in Note 40 to the financial statements on page 144 have been compiled in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 21 April 2017.

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 to the best of my knowledge and belief, the financial statements set out on pages 76 to 143 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on 21 April 2017)

HON TIAN KOK @ WILLIAM

Before me,

NO. W710
MOHAN A.S. MANIAM
COMMISSIONER OF OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

BASIS OF OPINION

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

INDEPENDENCE AND OTHER ETHICAL REQUIREMENTS

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITORS' **REPORT**
(continued)

KEY AUDIT MATTERS

Key audit matter	How we addressed the key audit matters
1. Goodwill impairment review	
As at 31 December 2016, the carrying amount of goodwill on consolidation arising from acquisition of Mediconstant Holding Sdn. Bhd. amounted to RM5,334,030. Goodwill shall be tested for impairment annually in accordance to MFRS 136 *Impairment of Assets*. This assessment requires management to make estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on.	Our procedures performed in relation to managements' impairment assessment and testing included the following: - assessed the reliability of the cash flows forecasts and supporting evidence of the underlying assumptions, by checking to approved budgets and comparing to recent performance and prior years' forecasted results; - performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the end of the reporting period; - checked the key assumptions used by management, in particular, revenue volume growth rate and margins by product comparing to business plans, historical results and market data; - tested the discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit; and - considered the adequacy of management's disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT
(continued)

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How we addressed the key audit matters
2. Assessment of carrying amount of development expenditure	
As at 31 December 2016, the carrying amount of development expenditure amounted to RM18,568,014. Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently judgmental. We focused on this area because of the significance of the costs capitalised and the fact that there is judgment involved in assessing whether the criteria, set out in MFRS 138 *Intangible Assets*, required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits. Where the costs incurred are internally generated, there is further judgment required in the calculation, such as the accuracy of amount of time spent on the projects. We also focused on whether there is objective evidence of the carrying value for development expenditures are impaired.	We discussed with management on their assessment as to whether development projects in-progress were still expected to deliver sufficient positive economic benefits upon their completion. For completed development projects, we considered whether the useful economic lives remained appropriate for those assets. Our procedures included the following: - tested the operating effectiveness of relevant internal controls related to the capitalisation of cost of developed intangible assets such as employee costs and development costs, according to respective projects; - tested the amounts capitalised in the reporting period are in accordance with the requirements of MFRS 138 *Intangible Assets*; - assessed the reliability of management's forecast through the review of past trends of actual financial performance against previous forecasted results; - tested the discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit; - performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the end of the reporting period; and - assessed the adequacy and reasonableness of the disclosures in the financial statements

INDEPENDENT AUDITORS' **REPORT**
(continued)

KEY AUDIT MATTERS (CONT'D)

Key audit matter	How we addressed the key audit matters
3. Impairment of trade and other receivables	
The Group has material credit exposures in its trade and other receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement.	The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade and other receivables that were either in default or significantly overdue as at 31 December 2016. Our procedures performed in relation to managements' impairment assessment and testing included the following: - obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures, assign internal credit ratings, and report on these to the appropriate level of governance to ensure they worked as designed; - developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables; - reviewed the adequacy of the impairment loss and enquired management regarding the recoverability of the selected receivables that are pass due but not impaired, and review the customers' correspondence, settlement agreement and obtained evidence of cash receipts where these has been recovered; and - assessed the adequacy and reasonableness of the disclosures in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' **REPORT**
(continued)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatements, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

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

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

INDEPENDENT AUDITORS' REPORT
(continued)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(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 have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) 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.

(d) 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 144 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad

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

TAN TIAN WOOI
Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR

21 April 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	29,291,581	26,902,893	734	839
Investment in subsidiary companies	5	–	–	12,719,130	12,719,130
Goodwill on consolidation	6	5,334,030	–	–	–
Development expenditures	7	18,568,014	12,970,672	–	–
		53,193,625	39,873,565	12,719,864	12,719,969
Current Assets					
Biological assets	8	302,284	282,765	–	–
Inventories	9	7,946,530	4,664,363	–	–
Trade receivables	10	29,083,776	19,249,631	–	–
Other receivables	11	16,823,587	10,716,833	48,781	26,178
Amount due from subsidiary companies	12	–	–	39,095,056	27,943,493
Tax recoverable		565,633	140,592	–	–
Fixed deposits with licensed banks	13	3,895,013	7,965,440	3,000,000	5,000,000
Cash and bank balances		2,034,595	5,803,544	105,562	14,785
		60,651,418	48,823,168	42,249,399	32,984,456
Total Assets		113,845,043	88,696,733	54,969,263	45,704,425

STATEMENTS OF FINANCIAL POSITION
(continued)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
EQUITY					
Share capital	14	33,333,282	23,170,656	33,333,282	23,170,656
Share premium	15	24,724,938	24,361,905	24,724,938	24,361,905
Merger deficits	16	(4,969,130)	(4,969,130)	–	–
Foreign currency translation reserve	17	(27,184)	–	–	–
Retained earnings/ (Accumulated losses)		44,928,794	36,439,983	(3,178,047)	(2,292,385)
Equity attributable to owners of the parent		97,990,700	79,003,414	54,880,173	45,240,176
Non-controlling interests		(594,890)	(277,262)	-	-
Total Equity		97,395,810	78,726,152	54,880,173	45,240,176
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	18	94,975	249,824	–	–
Bank borrowings	19	2,984,978	691,707	–	–
Deferred tax liabilities	20	2,342,940	2,645,605	–	–
		5,422,893	3,587,136	–	–
Current Liabilities					
Trade payables	21	3,722,721	178,159	–	–
Other payables	22	6,589,239	5,134,136	63,252	448,972
Amount due to a subsidiary company	12	–	–	20,000	–
Amount due to a Director	23	10,439	22,049	1,049	1,049
Finance lease liabilities	18	157,904	144,126	–	–
Bank borrowings	19	540,598	846,428	–	–
Tax payable		5,439	58,547	4,789	14,228
		11,026,340	6,383,445	89,090	464,249
Total Liabilities		16,449,233	9,970,581	89,090	464,249
Total Equity and Liabilities		113,845,043	88,696,733	54,969,263	45,704,425

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 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	24	47,122,537	29,720,283	648,000	648,000
Cost of sales		(27,623,763)	(13,654,280)	–	–
Gross profit		19,498,774	16,066,003	648,000	648,000
Other income		7,322,276	3,648,487	225,320	567,483
Administrative expenses		(18,915,354)	(12,105,227)	(1,609,578)	(2,960,827)
Finance costs	25	(168,989)	(306,673)	–	–
Profit/(Loss) before taxation	26	7,736,707	7,302,590	(736,258)	(1,745,344)
Taxation	27	187,509	(844,539)	(149,404)	(42,005)
Profit/(Loss) for the financial year		7,924,216	6,458,051	(885,662)	(1,787,349)
Other comprehensive income:					
Item that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		(27,184)	–	–	–
Total comprehensive income for the financial year		7,897,032	6,458,051	(885,662)	(1,787,349)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		8,488,811	6,796,465	(885,662)	(1,787,349)
Non-controlling interests		(564,595)	(338,414)	–	–
		7,924,216	6,458,051	(885,662)	(1,787,349)
Total comprehensive income attributable to:					
Owners of the parent		8,461,627	6,796,465	(885,662)	(1,787,349)
Non-controlling interests		(564,595)	(338,414)	–	–
		7,897,032	6,458,051	(885,662)	(1,787,349)
Earnings per share	28				
Basic (sen)		1.28	1.12		
Diluted (sen)		NA	NA		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to Owners of the parent						
		Non-Distributable			Distributable			
Group	Note	Share Capital RM	Share Premium RM	Merger Deficits RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2015		18,170,656	11,556,808	(4,969,130)	29,649,920	54,408,254	(128,178)	54,280,076
Profit/(Loss) for the financial year, representing total comprehensive income for the financial year		–	–	–	6,796,465	6,796,465	(338,414)	6,458,051
Transactions with owners:								
Dividends to owners of the Company	29	–	–	–	(417,072)	(417,072)	–	(417,072)
Issue of ordinary shares - public placement	14, 15	5,000,000	12,805,097	–	–	17,805,097	–	17,805,097
Change in ownership interest in a subsidiary company		–	–	–	410,670	410,670	189,330	600,000
Total transactions with owners		5,000,000	12,805,097	–	(6,402)	17,798,695	189,330	17,988,025
At 31 December 2015		23,170,656	24,361,905	(4,969,130)	36,439,983	79,003,414	(277,262)	78,726,152

STATEMENTS OF
CHANGES IN EQUITY
(continued)

		Attributable to Owners of the parent							
		Non-Distributable			Distributable				
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Merger Deficits RM**	**Foreign Currency Translation Reserve RM**	**Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
At 1 January 2016		23,170,656	24,361,905	(4,969,130)	–	36,439,983	79,003,414	(277,262)	78,726,152
Profit/(Loss) for the financial year, representing total comprehensive income for the financial year		–	–	–	–	8,488,811	8,488,811	(564,595)	7,924,216
Foreign exchange translation reserve		–	–	–	(27,184)	–	(27,184)	–	(27,184)
Total comprehensive income		–	–	–	(27,184)	8,488,811	8,461,627	(564,595)	7,897,032
Transactions with owners:									
Issue of ordinary shares									
- Acquisition of a subsidiary company	14, 15	943,396	4,056,604	–	–	–	5,000,000	–	5,000,000
- Private placement	14, 15	885,948	4,961,309	–	–	–	5,847,257	–	5,847,257
- Bonus issue	14, 15	8,333,282	(8,333,282)	–	–	–	–	–	–
- Share issuance expenses	15	–	(321,598)	–	–	–	(321,598)	–	(321,598)
Net change of non-controlling interests		–	–	–	–	–	–	246,967	246,967
Total transactions with owners		10,162,626	363,033	–	–	–	10,525,659	246,967	10,772,626
At 31 December 2016		33,333,282	24,724,938	(4,969,130)	(27,184)	44,928,794	97,990,700	(594,890)	97,395,810

STATEMENTS OF CHANGES IN EQUITY (continued)

Company	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 January 2015		18,170,656	11,556,808	(87,964)	29,639,500
Loss for the financial year, representing total comprehensive income for the financial year		–	–	(1,787,349)	(1,787,349)
Transactions with owners:					
Dividends to owners of the Company	29	–	–	(417,072)	(417,072)
Issue of ordinary shares					
- public placement	14, 15	5,000,000	12,805,097	–	17,805,097
Total transactions with owners		5,000,000	12,805,097	(417,072)	17,388,025
At 31 December 2015		23,170,656	24,361,905	(2,292,385)	45,240,176
At 1 January 2016		23,170,656	24,361,905	(2,292,385)	45,240,176
Loss for the financial year, representing total comprehensive income for the financial year		–	–	(885,662)	(885,662)
Transactions with owners					
Issue of ordinary shares					
- Acquisition of a subsidiary company	14, 15	943,396	4,056,604	–	5,000,000
- Private placement	14, 15	885,948	4,961,309	–	5,847,257
- Bonus issue	14, 15	8,333,282	(8,333,282)	–	–
- Share issuance expenses	15	–	(321,598)	–	(321,598)
Total transactions with owners		10,162,626	363,033	–	10,525,659
At 31 December 2016		33,333,282	24,724,938	(3,178,047)	54,880,173

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	7,736,707	7,302,590	(736,258)	(1,745,344)
Adjustments for:				
Amortisation of development expenditures	2,278,611	1,339,450	–	–
Amortisation of biological assets	69,754	–	–	–
Bad debts written off	41,770	6,854	–	–
Dividend income from a subsidiary company	–	–	–	(417,072)
Deposits written off	34,000	52,074	–	–
Depreciation of property, plant and equipment	3,767,253	3,390,717	105	105
Gain on disposal of property, plant and equipment	(60,879)	(9,434)	–	–
Grant income	(5,005,534)	(3,112,760)	–	–
Impairment losses on trade receivables	184,868	128,844	–	–
Finance costs	168,989	306,673	–	–
Interest income	(269,459)	(203,910)	(217,620)	(150,411)
Inventories written off	–	1,993	–	–
Listing expenses expense off	7,490	2,350,548	–	2,173,826
Property, plant and equipment written off	238,969	–	–	–
Reversal of impairment losses on trade receivables	(1,205)	(27,135)	–	–
Unrealised gain on foreign exchange	(1,011,787)	(96,163)	–	–
Waiver of deposit	(5,000)	–	–	–
Operating profit/(loss) before working capital changes	8,174,547	11,430,341	(953,773)	(138,896)

STATEMENTS OF CASH FLOWS (continued)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash Flows From Operating Activities					
Changes in working capital:					
Biological assets		(89,273)	(282,765)	–	–
Inventories		(408,358)	(604,865)	–	–
Trade receivables		(8,230,350)	(6,503,364)	–	–
Other receivables		(3,554,049)	(549,892)	(22,603)	658,675
Trade payables		(369,222)	(214,181)	–	–
Other payables		1,626,547	(367,178)	31,352	(491,492)
Subsidiary companies		–	–	(6,131,563)	(10,954,484)
A Director		(11,610)	(70)	–	–
		(11,036,315)	(8,522,315)	(6,122,814)	(10,787,301)
Cash (used in)/generated from operations		(2,861,768)	2,908,026	(7,076,587)	(10,926,197)
Grant received		4,577,504	2,540,982	–	–
Interest paid		(168,989)	(306,673)	–	–
Interest received		269,459	203,910	217,620	150,411
Tax paid		(318,498)	(165,001)	(158,843)	(38,115)
		4,359,476	2,273,218	58,777	112,296
Net cash from/(used in) operating activities		1,497,708	5,181,244	(7,017,810)	(10,813,901)
Cash Flows From Investing Activities					
Additional of development expenditures	7	(7,875,953)	(6,233,963)	–	–
Purchase of property, plant and equipment	4(e)	(4,436,247)	(2,604,526)	–	–
Proceeds from disposal of property, plant and equipment		70,657	9,434	–	–
Dividend received		–	–	–	417,072
Net cash inflows arising from acquisition of a subsidiary company	5(a)	535,483	–	–	–
Deposits paid for purchase of property, plant and equipment		(1,978,277)	(6,006,727)	–	–
Net cash (used in)/from investing activities		(13,684,337)	(14,835,782)	–	417,072

STATEMENTS OF **CASH FLOWS** (continued)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash Flows From Financing Activities					
Net changes on banker's acceptance		200,000	(600,000)	–	–
Dividends paid		(417,072)	(226,094)	(417,072)	(226,094)
Drawdown of term loans		935,680	750,000	–	–
Grant received		1,400	119,700	–	–
Decreased in fixed deposits pledged		(19,522)	(49,435)	–	–
Proceeds from issue of share capital	14, 15	5,847,257	20,000,000	5,847,257	20,000,000
Share issuance expenses		(321,598)	(4,545,451)	(321,598)	(4,368,729)
Additional investment by non-controlling interests		–	600,000	–	–
Repayment of finance lease payables		(156,103)	(493,199)	–	–
Repayment of term loans		(884,564)	(2,479,497)	–	–
Net cash from financing activities		5,185,478	13,076,024	5,108,587	15,405,177
Net (decrease)/increase in cash and cash equivalents		(7,001,151)	3,421,486	(1,909,223)	5,008,348
Effect of exchange translation differences		(69,612)	71,036	–	–
Cash and cash equivalents at the beginning of the financial year		12,115,628	8,623,106	5,014,785	6,437
Cash and cash equivalents at the end of the financial year		5,044,865	12,115,628	3,105,562	5,014,785
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		2,034,595	5,803,544	105,562	14,785
Fixed deposits with licensed banks		3,895,013	7,965,440	3,000,000	5,000,000
Less: Bank overdraft		–	(788,135)	–	–
		5,929,608	12,980,849	3,105,562	5,014,785
Less: Fixed deposits pledged with licensed banks		(884,743)	(865,221)	–	–
		5,044,865	12,115,628	3,105,562	5,014,785

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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 of the Company and its subsidiary companies 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) Statements 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

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

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012–2014 Cycle	

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

Standards issued but not yet effective

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

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 12		1 January 2017
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

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

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

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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 without subsequent recycling to profit or loss. 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.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

The amendments introduce a new category for biological asset, i.e. the bearer plants. A bearer plant is seen as similar to an item of machinery as it is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce. Therefore, bearer plants are measured either at cost or revalued amounts, less accumulated depreciation and impairment losses, similar to plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows. The Group is in the process of assessing the impact of the amendments.

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

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

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, 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.

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.

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:

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

Useful lives of property, plant and equipment

The Group regularly reviews 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.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value in-use is disclosed in Note 6.

Amortisation of biological assets

The biological assets have been stated at cost less accumulated amortisation and accumulated impairment if any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available.

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. The carrying amount at the reporting date for development costs is disclosed in Note 7.

Recoverability of development costs

During the financial year, the Directors considered the recoverability of the Group's development cost arising from its on-going research and development of high-value herbal products, *Cordyceps sinensis, Lignosus rhinoceros and Ganoderma Lucidum* as a biological active compound for the formulation of health supplement products.

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. The carrying amount at the reporting date for development costs is disclosed in Note 7.

Amortisation of development costs

Changes in the expected level of usage and technological development could impact the economic useful lives, therefore future amortisation charges could be revised.

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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 9.

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 10, 11 and 12 respectively.

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 and the Company recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2016, the Group and the Company have tax recoverable and payable of RM565,633 and RM5,439 (2015: RM140,592 and RM58,547) and RMNil and RM4,789 (2015: RMNil and RM14,228) respectively.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 33(d) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiary companies

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

Subsidiary companies are consolidated using the 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 these subsidiary companies 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.

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

Acquisition-related costs are expensed 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. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE
FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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(l)(i) on impairment of non-financial assets.

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

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

(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(l)(i) on impairment of non-financial assets.

(b) Foreign currency translation

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

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.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(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(l)(i).

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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.

Capital work-in-progress consists of expenditure incurred pertaining to cluster activities at the agricultural land for intended use as farming and processing of various types of herbs.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Leasehold land	Over the remaining lease
Buildings	50 years
Computer system and peripherals	5 years
Lab and office equipment, furniture and fittings	5 to 10 years
Motor vehicles	5 years
Plant and machineries	10 years
Renovations	10 years
Signage and display items	10 years
Infrastructure expenditures	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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Biological assets

Biological assets comprise of expenditure incurred on land clearing, planting, fertilising and other associated cost incurred to upkeep of the crops to maturity. Biological assets are measured at fair value less cost to sells, except on initial recognition for which market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such case, the biological assets 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(l)(i).

At each reporting date, the Group considers the nature of plantation activities being growing and managing herbal plantations for the sale of herbal. The biological assets have been stated at cost less accumulated depreciation and accumulated impairment losses any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available. The trees are considered to be matured by 7 to 84 months after the initial field planting.

(e) Leases

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

<u>As lessee</u>

(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, or as investment property if held to earn rental income or for capital appreciation or both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements 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 and measured using fair value model.

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.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

As lessor

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

(f) 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 in 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.

(iii) Intangible assets acquired in business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) 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(l)(i) on impairment of non-financial assets for intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) 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 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 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.

A financial asset is 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 profit or loss.

(h) 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) Financial liabilities measured at amortised cost

The Group's and the Company's financial liabilities comprise trade and other payables, amount due to a Director and loans and borrowings.

Trade and other payables and amount due to a Director 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.

NOTES TO THE
FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities (Cont'd)

(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.

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.

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.

(i) 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.

(j) Inventories

Raw materials, consumables 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 and consumables 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.

(k) 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, if any.

(l) Impairment of assets

(i) Non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of assets (Cont'd)

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

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. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(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.

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(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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.

(m) 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 statements of profit or loss and other comprehensive income net of any reimbursement.

(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.

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

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing costs (Cont'd)

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.

(p) 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 contribute 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.

(q) 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.

(r) Revenue recognition

(i) 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 of significant risks and rewards of ownership of the goods have been transferred 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, and the amount of revenue can be measured reliably.

(ii) Interest income

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

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue recognition (Cont'd)

(iii) 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.

(iv) Dividend income

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

(v) Management fee

Management fee is recognised on accrual basis when services are rendered.

(s) 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.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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.

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building RM	Leasehold land and factory building RM	Computer system and peripherals RM	Lab and office equipments, furniture and fittings RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infra-structure expenditures RM	Capital work-in-progress RM	Total RM
Group											
2016											
Cost											
At 1 January 2016	–	4,067,129	579,756	941,525	1,053,543	23,562,993	4,297,249	1,056,830	1,336,072	536,419	37,431,516
Acquisition through business combination	1,725,900	–	1,047,070	956,154	80,430	–	454,344	120,178	–	–	4,384,076
Additions	–	–	185,605	286,049	63,636	791,353	665,993	73,571	286,328	2,083,712	4,436,247
Disposal	–	–	(76,125)	(87,508)	–	–	(34,632)	(10,150)	–	–	(208,415)
Written off	–	–	(13,900)	(3,978)	–	–	(293,058)	(9,754)	–	–	(320,690)
Reclassification	–	–	–	–	–	–	–	–	96,419	(96,419)	–
At 31 December 2016	1,725,900	4,067,129	1,722,406	2,092,242	1,197,609	24,354,346	5,089,896	1,230,675 -	1,718,819 -	2,523,712	45,722,734
Accumulated depreciation											
At 1 January 2016	–	182,992	338,407	356,016	424,965	6,909,379	1,459,192	365,730	491,942	–	10,528,623
Charge for the financial year	35,081	70,924	74,826	177,547	211,273	2,467,981	459,217	117,199	153,205	–	3,767,253
Acquisition through business combination	52,159	–	1,018,081	813,517	62,577		391,803	77,498	–	–	2,415,635
Disposal	–	–	(83,322)	(85,361)	–	(208)	(24,495)	(5,251)	–	–	(198,637)
Written off	–	–	(6,937)	(990)	–	–	(71,322)	(2,472)	–	–	(81,721)
At 31 December 2016	87,240	253,916	1,341,055	1,260,729	698,815	9,377,152	2,214,395	552,704	645,147	–	16,431,153
Carrying amount											
At 31 December 2016	1,638,660	3,813,213	381,351	831,513	498,794	14,977,194	2,875,501	677,971	1,073,672	2,523,712	29,291,581

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Leasehold land and factory building RM	Computer system and peripherals RM	Lab and office equipments, furniture and fittings RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infrastructure expenditure RM	Capital work-in-progress RM	Total RM
Group										
2015										
Cost										
At 1 January 2015	4,067,129	494,799	781,049	607,503	19,049,445	3,765,616	1,012,188	1,222,500	468,500	31,468,729
Additions	–	84,957	160,476	474,004	4,513,548	531,633	44,642	113,572	67,919	5,990,751
Disposals	–	–	–	(27,964)	–	–	–	–	–	(27,964)
At 31 December 2015	4,067,129	579,756	941,525	1,053,543	23,562,993	4,297,249	1,056,830	1,336,072	536,419	37,431,516
Accumulated depreciation										
At 1 January 2015	109,038	288,740	240,155	295,736	4,549,315	1,052,675	263,461	366,750	–	7,165,870
Charge for the financial year	73,954	49,667	115,861	157,193	2,360,064	406,517	102,269	125,192	–	3,390,717
Disposals	–	–	–	(27,964)	–	–	–	–	–	(27,964)
At 31 December 2015	182,992	338,407	356,016	424,965	6,909,379	1,459,192	365,730	491,942	–	10,528,623
Carrying amount										
At 31 December **2015**	3,884,137	241,349	585,509	628,578	16,653,614	2,838,057	691,100	844,130	536,419	26,902,893

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

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

	Company	
	2016	**2015**
	RM	**RM**
Office equipment		
Cost		
At 1 January/31 December	1,049	1,049
Accumulated depreciation		
At 1 January	210	105
Charge for the financial year	105	105
At 31 December	315	210
Carrying amount		
At 31 December	734	839

(a) Assets pledged as securities to a licensed bank

The carrying amount of property, plant and equipment of the Group pledged to licensed bank as securities for bank facilities granted to its subsidiary company as disclosed in Note 19:

	Group	
	2016	**2015**
	RM	**RM**
Freehold land and building	1,638,660	–

(b) The remaining lease period of the leasehold land and factory building is 89 years (2015: 90 years).

(c) Assets pledged as securities to non-financial institution

The carrying amount of property, plant and equipment of the Group pledged to Malaysia Biotechnology Corporation Sdn. Bhd. as securities for the credit facility as disclosed in Note 19:

	Group	
	2016	**2015**
	RM	**RM**
Plant and machineries	675,000	750,000

(d) Assets held under finance leases

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

	Group	
	2016	**2015**
	RM	**RM**
Motor vehicles	375,082	528,294

The leased assets are pledged as securities for finance lease liabilities as disclosed in Note 18.

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

(e) The aggregate additional cost for the property, plant and equipment of the Group during the financial year acquired under finance leases financing, reclassified from other receivables and cash payments are as follows:

	Group 2016 RM	Group 2015 RM
Aggregate costs	4,436,247	5,990,751
Less: Reclassified from other receivables	-	(3,062,025)
Less: Finance leases	-	(324,200)
Cash payments	4,436,247	2,604,526

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2016 RM	Company 2015 RM
In Malaysia:		
Unquoted shares, at cost	12,719,130	12,719,130

Details of the subsidiary companies are as follows:

Name of company	Country of Incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Direct holdings:				
Bioalpha International Sdn. Bhd.	Malaysia	100	100	Research and development and manufacturers, importers, exporters, distribution and traders of nutritional and healthcare products
Bioalpha R&D Sdn. Bhd.	Malaysia	100	100	Research and development and manufacturers, suppliers, distributors, wholesalers or retailers of healthcare and nutritional products
Botanical Distribution Sdn. Bhd.	Malaysia	100	100	Suppliers, distributors, direct selling agents, wholesaler or retailer or healthcare and nutrition products
Indirect holdings: Held through Bioalpha International Sdn. Bhd.				
Bioalpha Agro Sdn. Bhd.	Malaysia	72	72	Import, export, cultivate, manufacture, distribute and trade in variety of agro products, medical herbs and cordyceps

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of Incorporation	Effective Interest 2016 %	Effective Interest 2015 %	Principal activities
Bioalpha East Coast Agro Sdn. Bhd.	Malaysia	100	100	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products
PT Herbal Malindo Makmur *#	Indonesia	60	–	General trade, wholesale and retail trade of pharmaceutical and traditional medicine
Indirect holdings: Held through Botanical Distribution Sdn. Bhd.				
Alphacare Sdn. Bhd.	Malaysia	70	70	Concept shop operators, general merchants, online trading agents,franchisors, wholesaler or retailer of healthcare, nutritional products, food & beverages
Mediconstant Holding Sdn. Bhd.	Malaysia	100	–	Investment holding and provision of management services
Indirect holdings: Held through Bioalpha Agro Sdn. Bhd.				
Bioalpha (Johor Herbal) Sdn. Bhd.	Malaysia	50.4	50.4	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products
Indirect holdings: Held through Mediconstant Holding Sdn. Bhd.				
Mediconstant Pharmacy Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Ampang) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Management Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Desa Tasik) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows: (Cont'd)

Name of company	Country of Incorporation	Effective Interest 2016 %	2015 %	Principal activities
Indirect holdings: Held through Mediconstant Holding Sdn. Bhd.				
Mediconstant Dynamic Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Klang) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Puchong) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Sea Park) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Setapak) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Taman Desa) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (TTDI) Sdn. Bhd.	Malaysia	100	–	Pharmacy, druggists and chemicals

* *Subsidiary company not audited by UHY*

financial results of this subsidiary company have been consolidated using the management account for financial period ended 31 December 2016, as the Directors are of the view that results is immaterial.

(a) Acquisition of subsidiary companies

(i) On 15 January 2016, Botanical Distribution Sdn. Bhd. ("BDSB"), a wholly-owned subsidiary company of the Company acquired the entire equity interest in Mediconstant Holding Sdn. Bhd. ("MHSB") for a purchase consideration of RM5,000,000 that to be satisfied via the issuance of 18,867,924 ordinary shares of RM0.05 each in the Company at issue price of RM0.265 per ordinary share. Consequently, MHSB become a wholly-owned indirect subsidiary company of BDSB.

(ii) On 3 May 2016, Bioalpha International Sdn. Bhd. ("BISB"), a wholly-owned subsidiary company incorporated a subsidiary company by acquired its 60% equity interest in PT Herbal Malindo Makmur ("PTHMM") for a purchase consideration of RM617,419. Consequently, PTHMM become a subsidiary company of BISB.

(iii) On 16 December 2016, Bioalpha East Coast Agro Sdn. Bhd. ("BECA"), a wholly-owned subsidiary company of BISB has increased its issued and paid up share capital from RM2,000,000 to RM2,700,000 by the issuance of 700,000 ordinary shares of RM1.00 each at par by way of capitalisation of amount due to BISB.

NOTES TO THE
FINANCIAL STATEMENTS
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5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary companies (Cont'd)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2016 RM
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,968,441
Goodwill on consolidation	165,725
Inventories	2,881,299
Trade and other receivables	1,356,257
Tax recoverable	285,115
Cash and cash equivalents	905,935
Trade and other payables	(4,563,858)
Finance lease liability	(15,032)
Loans and borrowings	(2,524,460)
Deferred tax liabilities	(10,308)
Non-controlling interests	(246,967)
Total identifiable assets and liabilities	202,147

The gross carrying amount of trade and other receivables approximate their fair values. None of the receivables were impaired and the full contractual amounts were expected to be collected.

Net cash inflow arising from acquisition of subsidiary companies

	2016 RM
Purchase consideration settled in cash	370,452
Cash and cash equivalents acquired	(905,935)
	(535,483)

Goodwill arising from business combination

	2016 RM
Fair value of consideration transferred	5,370,452
Fair value of existing interest in the acquiree	165,725
Fair value of identifiable assets acquired and liabilities assumed	(202,147)
Goodwill arising from acquisition (Note 6)	5,334,030

Acquisition-related costs

The Group incurred acquisition-related costs of RM162,429 related to external legal fees and due diligence costs. The expenses have been included in administrative expenses in the profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Acquisition of subsidiary companies (Cont'd)

Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired subsidiary company has contributed RM14,544,435 to the Group's revenue and profit for the financial year would have been decreased by RM1,327,152. If the business combination had taken place at the beginning of the financial year, the Group's revenue for the financial year would have been increased by RM14,544,435 and Group's profit for the financial year would have been decreased by RM1,327,152.

There was no acquisition in the previous financial year.

(b) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interests:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2016 %	2015 %	2016 RM	2015 RM	2016 RM	2015 RM
Bioalpha Agro Sdn. Bhd. ("BASB")	28	28	(35,470)	(74,708)	23,000	58,470
Bioalpha (Johor Herbal) Sdn. Bhd. ("BJHSB")	49.6	49.6	(155,668)	(104,229)	(521,253)	(365,585)
Alphacare Sdn. Bhd. ("Alpha")	30	30	(353,784)	(159,477)	(323,931)	29,853
			(544,922)	(338,414)	(822,184)	(277,262)
Individually immaterial subsidiary with non-controlling interests			(19,673)	–	227,294	–
Total non-controlling interests			(564,595)	(338,414)	(594,890)	(277,262)

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.

(i) Summarised statements of financial position

	BASB RM	BJHSB RM	ALPHA RM
2016			
Non-current assets	962,889	98,718	432,470
Current assets	1,651,321	30,893	56,464
Non-current liabilities	(51,337)	–	–
Current liabilities	(2,480,731)	(1,172,621)	(1,568,704)
Net assets/(liabilities)	82,142	(1,043,010)	(1,079,770)

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Material partly-owned subsidiary companies (Cont'd)

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. (Cont'd)

(i) Summarised statements of financial position (Cont'd)

	BASB RM	BJHSB RM	ALPHA RM
2015			
Non-current assets	774,647	16,531	783,944
Current assets	2,025,376	20,743	624,145
Non-current liabilities	(99,003)	–	–
Current liabilities	(2,492,198)	(766,437)	(1,308,579)
Net assets/(liabilities)	208,822	(729,163)	99,510

(ii) Summarised statements of profit or loss and other comprehensive income

	BASB RM	BJHSB RM	ALPHA RM
2016			
Revenue	1,338,000	42,189	489,426
Loss for the financial year, representing total comprehensive income for the financial year	(126,680)	(313,847)	(1,179,280)
2015			
Revenue	1,539,500	108,892	513,303
Loss for the financial year, representing total comprehensive income for the financial year	(98,497)	(214,061)	(896,995)

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Material partly-owned subsidiary companies (Cont'd)

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. (Cont'd)

(iii) Summarised statements of cash flows

	BASB RM	BJHSB RM	ALPHA RM
2016			
Net cash from operating activities	317,968	106,412	51,762
Net cash used in investing activities	(324,065)	(95,621)	(60,000)
Net cash used in financing activities	(12,346)	–	–
Net (decrease)/increase in cash and cash equivalents	(18,443)	10,791	(8,238)
2015			
Net cash (used in)/from operating activities	(770,213)	3,148	(522,794)
Net cash used in investing activities	–	–	(75,000)
Net cash (used in)/from financing activities	(11,754)	–	600,000
Net (decrease)/increase in cash and cash equivalents	(781,967)	3,148	2,206

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.

6. GOODWILL ON CONSOLIDATION

		Group	
	Note	2016 RM	2015 RM
At 1 January		–	–
Acquistion through business combination	5	5,334,030	–
At 31 December		5,334,030	–

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

6. GOODWILL ON CONSOLIDATION (CONT'D)

(a) Recoverable amount on value in use

For the purpose of impairment testing, the recoverable amount of goodwill at the end of the financial year was determined based on a value-in-use calculation by discounting the future cash flows generated from the continuing use of the cash generated unit ("CGU") and was based on the following assumptions:

(i) Pre-tax cash flow projection based on the most recent financial budgets covering a five years period;

(ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is ranged from 10% to 16%; and

(iii) Pre-tax discount rate of 6.8% per annum has been applied in determining the recoverable amount of the CGU. The discount rate was based estimated based on the Group's weighted average cost of capital.

The value assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

The management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amount.

(b) Sensitivity to changes in assumptions

The management believes that a reasonably possible changes in the key assumptions on which management has based on its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

7. DEVELOPMENT EXPENDITURES

	Group	
	2016	**2015**
	RM	**RM**
Cost		
At 1 January	16,318,103	10,084,140
Additions	7,875,953	6,233,963
At 31 December	24,194,056	16,318,103
Accumulated amortisation		
At 1 January	3,347,431	2,007,981
Amortisation for the financial year	2,278,611	1,339,450
At 31 December	5,626,042	3,347,431
Carrying amount		
31 December	18,568,014	12,970,672

Development expenditure represents the costs incurred in respect of the on-going development of high-value herbal products, *Cordyceps sinensis, Lignosus rhinoceros and Ganoderma Lucidum* as an active biological compound for use in health formulations.

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

8. BIOLOGICAL ASSETS

	Group	
	2016 RM	2015 RM
Cost		
At 1 January	282,765	–
Addition	89,273	282,765
At 31 December	372,038	282,765
Accumulated amortisation		
At 1 January	–	–
Amortisation for the financial year	69,754	–
At 31 December	69,754	–
Carrying amount		
At 31 December	302,284	282,765

Biological assets, include expenditure incurred on land clearing, planting, fertilising and other associated costs incurred to upkeep of the crops to maturity are capitalised at cost as biological assets carrying amount. On maturity, the matured plantations are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

The biological assets have been stated at cost less accumulated amortisation and accumulated impairment losses, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available.

Included in staff costs capitalised into biological assets are as follow:

	Group	
	2016 RM	2015 RM
Staff costs (Note 30)	–	149,680

As at 31 December 2016, the Group has 163 acres (2015: 123 acres) of herbal plantations.

9. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost		
Raw materials	4,287,278	4,169,312
Consumables	123,575	206,299
Finished goods	3,535,677	288,752
	7,946,530	4,664,363
Recognised in profit or loss:		
Inventories recognised as cost of sales	18,481,944	8,038,637
Inventories written off	7,490	1,993

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

10. TRADE RECEIVABLES

	Group	
	2016 **RM**	**2015** **RM**
Trade receivables	29,492,221	19,476,613
Less: Accumulated impairment losses	(408,445)	(226,982)
	29,083,776	19,249,631

The Group's normal trade credit terms ranged from 30 to 180 days (2015: 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 of the Group are as follows:

	Group	
	2016 **RM**	**2015** **RM**
At 1 January	226,982	125,273
Impairment losses recognised	184,868	128,844
Acquisition through business combination	11,828	–
Reversal of impairment losses	(1,205)	(27,135)
Amount written off	(14,028)	–
At 31 December	408,445	226,982

Analysis of the trade receivables ageing of the Group at the end of the reporting period is as follows:

	Group	
	2016 **RM**	**2015** **RM**
Neither past due nor impaired	12,131,782	3,885,749
Past due but not impaired:		
Less than 30 days	6,062,149	3,597,242
31 to 90 days	2,137,935	7,869,872
91 to 180 days	3,658,924	3,571,799
More than 180 days	5,092,986	324,969
	16,951,994	15,363,882
	29,083,776	19,249,631
Impaired	408,445	226,982
	29,492,221	19,476,613

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 2016, trade receivables of RM16,951,994 (2015: RM15,363,882) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

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10. TRADE RECEIVABLES (CONT'D)

Trade receivables of the Group that are individually assessed to be impaired amounting to RM408,445 (2015: RM226,982), 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 11 (2015: 12) major customers that represent approximately 79% (2015: 49%) of the gross trade receivables balance at the end of the reporting period.

11. OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	10,519,698	2,723,907	48,781	–
Deposits	2,784,727	663,858	–	–
Prepayments	3,523,864	7,329,068	–	26,178
	16,828,289	10,716,833	48,781	26,178
Less: Accumulated impairment losses	(4,702)	–	–	–
	16,823,587	10,716,833	48,781	26,178

(a) Included in the deposits of the Group amounting to RM1,978,277 (2015: RM294,520) are paid for purchases of property, plant and equipment.

(b) Included in the prepayments of the Group amounting to RM2,342,658 (2015: RM2,128,657) and RMNil (2015: RM3,583,550) are paid for purchases of property, plant and equipment and research development expenditure respectively.

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

	Group	
	2016 RM	2015 RM
At 1 January	–	–
Acquisition through business combination	4,702	–
At 31 December	4,702	–

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

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12. AMOUNT DUE FROM/ (TO) SUBSIDIARY COMPANIES

These represent unsecured, non-interest bearing advances and repayable on demand.

13. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits with licensed banks	3,010,270	7,100,219	3,000,000	5,000,000
Fixed deposits pledged with licensed banks	884,743	865,221	–	–
	3,895,013	7,965,440	3,000,000	5,000,000

The interest rates of fixed deposits of the Group and of the Company ranged from 3.12% to 4.20% (2015: 2.00% to 3.90%) per annum and 3.50% to 4.20% (2015: 3.90%) per annum respectively. The maturities of deposits of the Group and of the Company ranged from 30 to 365 days (2015: 4 to 365 days).

The fixed deposits with licensed banks of the Group amounted to RM584,743 (2015: RM565,221) and RM300,000 (2015: RM300,000) are pledged to licensed banks and non-financial institution respectively as securities for credit facilities granted to subsidiary companies as disclosed in Note 19.

14. SHARE CAPITAL

	Group and Company			
	←Number of Shares→		←Amount→	
	2016 Units	2015 Units	2016 RM	2015 RM
Ordinary shares of RM0.05 each:				
Authorised				
At 1 January	500,000,000	500,000,000	25,000,000	25,000,000
Created during the financial year	1,500,000,000	–	75,000,000	–
At 31 December	2,000,000,000	500,000,000	100,000,000	25,000,000

14. SHARE CAPITAL (CONT'D)

	Group and Company			
	← Number of Shares →		← Amount →	
	2016 Units	2015 Units	2016 RM	2015 RM
Ordinary shares of RM0.05 each:				
Issued and fully paid shares				
At 1 January	463,413,114	363,413,114	23,170,656	18,170,656
Issue of ordinary shares				
- Public placement	–	100,000,000	–	5,000,000
- Acquisition of a subsidiary company	18,867,924	–	943,396	–
- Private placement	17,718,962	–	885,948	–
- Bonus issue	166,665,655	–	8,333,282	–
At 31 December	666,665,655	463,413,114	33,333,282	23,170,656

During the financial year, the Company increased its authorised share capital from RM25,000,000 to RM100,000,000 through the creation of 1,500,000,000 ordinary shares of RM0.05 each.

During the financial year, the Company issued:

(a) 18,867,924 new ordinary shares of RM0.05 each at issue price of RM0.265 per ordinary share for a total consideration of RM5,000,000 as discharges of the purchase consideration for an acquisition of a subsidiary company.

(b) 17,718,962 new ordinary shares of RM0.05 each at issue price of RM0.330 per placement share for cash arising from private placement.

(c) 166,665,655 new ordinary shares of RM0.05 each at RM8,333,282 by way of bonus issue on the basis of one bonus share for every three existing shares held.

The new ordinary shares issued during the financial year rank pari passu in 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.

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15. SHARE PREMIUM

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Non-distributable:				
At 1 January	24,361,905	11,556,808	24,361,905	11,556,808
Premium from	–	–	–	–
- Public placement	–	15,000,000	–	15,000,000
- Private placement	4,961,309	–	4,961,309	–
- Acquisition of a subsidiary company	4,056,604	–	4,056,604	–
- Bonus issue	(8,333,282)	–	(8,333,282)	–
- Shares issuance expenses	(321,598)	(2,194,903)	(321,598)	(2,194,903)
At 31 December	24,724,938	24,361,905	24,724,938	24,361,905

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

16. 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:

	Group	
	2016 RM	**2015 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

17. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

18. FINANCE LEASE LIABILITIES

	Group	
	2016 RM	2015 RM
Minimum lease payments:		
Within one year	169,274	127,374
Later than one year and not later than two years	66,389	236,810
Later than two years and not later than five years	32,868	63,948
	268,531	428,132
Less: Future finance charges	(15,652)	(34,182)
Present value of minimum finance lease payments	252,879	393,950
Present value of minimum finance lease payments		
Within one year	157,904	144,126
Later than one year and not later than two years	63,195	189,610
Later than two years and not later than five years	31,780	60,214
	252,879	393,950
Analysed as:		
Repayable within twelve months	157,904	144,126
Repayable after twelve months	94,975	249,824
	252,879	393,950

The obligations under finance leases are secured by a charge over the leased assets (Note 4(d)). The interest rate of the Group for the finance leases as at reporting date is ranged from 2.54% to 4.05% (2015: 2.54% to 4.05%) per annum.

19. BANK BORROWINGS

	Group	
	2016 RM	2015 RM
Secured		
Bank overdraft	–	788,135
Banker's acceptances	200,000	–
Term loans	3,325,576	750,000
	3,525,576	1,538,135

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19. BANK BORROWINGS (CONT'D)

	Group	
	2016 RM	**2015 RM**
Anlysed as:		
Repayable within twelve months		
Bank overdraft	–	788,135
Banker's acceptances	200,000	–
Term loans	340,598	58,293
	540,598	846,428
Repayable after twelve months		
Term loans	2,984,978	691,707
	3,525,576	1,538,135

The above credit facilities obtained from licensed banks and non-financial institution are secured on the following:

(i) charge over certain freehold land and building, plant and machineries of the Group as disclosed in Note 4(a) and (c);
(ii) charge on fixed deposits with licensed banks of the Group as disclosed in Note 13;
(iii) joint and severally guaranteed by Directors of the Company; and
(iv) corporate guarantee by the Company.

The effective interest rates for the credit facilities as at reporting date are as follows:

	Group	
	2016 %	**2015 %**
Bank overdraft	-	8.60
Banker's acceptances	5.51	-
Term loans	4.88	5.00

The maturities of bank borrowings of the Group are as follows:

	Group	
	2016 RM	**2015 RM**
Within one year	540,599	846,428
Later than one year but not later than two years	357,903	360,154
Later than two years but not later than five years	1,186,551	331,553
Later than five years	1,440,523	–
	3,525,576	1,538,135

20. DEFERRED TAX LIABILITIES

	Group 2016 RM	2015 RM
At 1 January	2,645,605	1,936,735
Recognised in profit or loss	(312,973)	708,870
Acquisition through business combination	10,308	–
At 31 December	2,342,940	2,645,605

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

	Group 2016 RM	2015 RM
Deferred tax liabilities	5,286,731	4,245,652
Deferred tax assets	(2,943,791)	(1,600,047)
	2,342,940	2,645,605

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Development expenditures RM	Total RM
At 1 January 2016	1,430,263	2,815,389	4,245,652
Recognised in profit or loss	(332,387)	1,338,848	1,006,461
Acquisition through business combination	34,618	–	34,618
At 31 December 2016	1,132,494	4,154,237	5,286,731
At 1 January 2015	1,382,706	1,753,241	3,135,947
Recognised in profit or loss	47,557	1,062,148	1,109,705
At 31 December 2015	1,430,263	2,815,389	4,245,652

NOTES TO THE
FINANCIAL STATEMENTS
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20. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax assets of the Group:

	Unused tax losses RM	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 January 2016	–	(101,470)	(1,498,577)	(1,600,047)
Recognised in profit or loss	(601,870)	(793,473)	75,909	(1,319,434)
Acquisition through business combination	(12,476)	(11,834)	–	(24,310)
At 31 December 2016	(614,346)	(906,777)	(1,422,668)	(2,943,791)
At 1 January 2015	–	(185,785)	(1,013,427)	(1,199,212)
Recognised in profit or loss	–	84,315	(485,150)	(400,835)
At 31 December 2015	–	(101,470)	(1,498,577)	(1,600,047)

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

	Group	
	2016 RM	2015 RM
Unused tax losses	10,092,543	6,674,297
Unutilised capital allowances	644,930	593,425
	10,737,473	7,267,722

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

21. TRADE PAYABLES

The normal trade credit term granted to the Group ranged from 30 to 90 days (2015: 30 to 90 days) depending on the terms of the contracts.

22. OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	1,851,093	746,825	38,252	2,400
Deposits	585,867	–	–	–
Deferred capital grant	2,737,117	3,163,747	–	–
Dividend payables	–	417,072	–	417,072
Accruals	1,415,162	806,492	25,000	29,500
	6,589,239	5,134,136	63,252	448,972

Deferred capital grant refers to government grant received from Malaysian Bioeconomy Development Corporation Sdn. Bhd. ("MBDC") and Malaysia Technology Development Corporation ("MTDC") 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 in profit or loss.

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22. OTHER PAYABLES (CONT'D)

The movement of the deferred capital grant is as follows:

	Group	
	2016 RM	2015 RM
At 1 January	3,163,747	3,615,825
Grant received during the financial year	1,400	119,700
Amortised during the financial year	(428,030)	(571,778)
At 31 December	2,737,117	3,163,747

23. AMOUNT DUE TO A DIRECTOR

This represents unsecured, non-interest bearing advances and repayable on demand.

24. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sales of goods	47,122,537	29,720,283	–	–
Management fee	–	–	648,000	648,000
	47,122,537	29,720,283	648,000	648,000

25. FINANCE COSTS

	Group	
	2016 RM	2015 RM
Interest expenses on:		
- Bank overdraft	31,320	101,549
- Banker's acceptances	10,632	38,893
- Term loans	103,445	139,492
- Finance leases	19,109	26,739
- Others	4,483	–
	168,989	306,673

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26. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration:				
- current year	127,060	79,000	30,000	25,000
- over provision in prior years	(10,312)	(4,000)	(1,000)	(15,000)
- others	68,000	90,000	68,000	90,000
Amortisation of development expenditures	2,278,611	1,339,450	–	–
Amortisation of biological assets	69,754	–	–	–
Bad debts written off	41,770	6,854	–	–
Depreciation of property, plant and equipment	3,767,253	3,390,717	105	105
Deposits written off	34,000	52,074	–	–
Non-executive Directors' remuneration:				
- fee	180,140	158,200	180,140	158,200
- salaries and other emoluments	32,000	17,700	30,000	14,500
Dividend income from a subsidiary company	–	–	–	(417,072)
Gain disposal of property, plant and equipment	(60,879)	(9,434)	–	–
Listing expenses expense off	–	2,350,548	–	2,173,826
Loss/(Gain) on foreign exchange:				
- realised	(134,153)	37,836	–	–
- unrealised	(1,011,787)	(96,163)	–	–
Grant income	(5,005,534)	(3,112,760)	–	–
Impairment losses on trade receivables	184,868	128,844	–	–
Interest income	(269,459)	(203,910)	(217,620)	(150,411)
Inventories written off	7,490	1,993	–	–
Property, plant and equipment written off	238,969	–	–	–
Rental income	(119,831)	–	–	–
Rental of equipment	8,011	22,871	–	–
Rental of premises	1,115,321	536,524	–	–
Reversal of impairment losses on trade receivables	(1,205)	(27,135)	–	–
Waiver of deposit	(5,000)	–	–	–

27. TAXATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Tax expenses recognised in profit or loss				
Malaysian statutory tax:				
- Current tax provision	79,138	152,653	54,414	37,603
- Under/(Over) provision in prior years	46,326	(16,984)	94,990	4,402
	125,464	135,669	149,404	42,005
Deferred tax:				
- Origination and reversal of temporary differences	221,531	872,379	–	–
- Relating to changes in tax rate	–	(124,948)	–	–
- Over provision in prior years	(534,504)	(38,561)	–	–
	(312,973)	708,870	–	–
	(187,509)	844,539	149,404	42,005

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A subsidiary company has been awarded with BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn. Bhd. which qualified 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.

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit/(Loss) before taxation	7,736,707	7,302,590	(736,258)	(1,745,344)
At Malaysian statutory tax rate of 24% (2015: 25%)	1,856,810	1,825,648	(176,702)	(436,336)
Expenses not deductible for tax purposes	1,880,137	1,219,175	231,116	558,222
Reduction in tax rate	–	(124,948)	–	–
Income exempted under BioNexus status	(2,972,973)	(1,307,329)	–	–
Income not subject to tax	(1,329,679)	(688,839)	–	(104,268)
Deferred tax assets not recognised	866,374	384,370	–	19,985
Utilisation of reinvestment allowances	–	(407,993)	–	–
Under/(Over) provision of income tax in prior years	46,326	(16,984)	94,990	4,402
Over provision of deferred tax in prior years	(534,504)	(38,561)	–	–
	(187,509)	844,539	149,404	42,005

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27. TAXATION (CONT'D)

The Group and the Company have unused tax losses and unutilised capital allowances, available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

	Group	
	2016 RM	**2015 RM**
Unused tax losses	12,652,298	6,674,297
Unutilised capital allowances	4,423,169	999,305
	17,075,467	7,673,602

28. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2016 RM	**2015 RM**
Profit attributable to owners of the parent	8,488,811	6,796,465
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	463,413,114	363,413,114
Effect of ordinary shares issued during the financial year	33,522,528	74,520,548
Effect of bonus shares issued	166,665,655	166,665,655
Weighted average number of ordinary shares at 31 December	663,601,297	604,599,317
Basic earnings per ordinary shares (in sen)	1.28	1.12

(b) Diluted earnings per share

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.

29. DIVIDENDS

	Group and Company	
	2016	2015
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company		
In respect of the financial year ended 31 December 2015		
- interim single-tier dividend of RM0.0009 per ordinary share	–	417,072

The Board of Directors do not recommend any dividend is respect of the current and previous financial years.

30. STAFF COSTS

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Fee	148,500	220,500	148,500	220,500
Salaries and other emoluments	6,267,854	3,686,545	192,000	258,265
Defined contribution plan	669,843	323,769	–	–
Other employee benefits	307,432	74,641	12,500	–
	7,393,629	4,305,455	353,000	478,765
Less: Capitalised into biological assets (Note 8)	–	(149,680)	–	–
	7,393,629	4,155,775	353,000	478,765

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Executive Directors				
Fee	148,500	220,500	148,500	220,500
Salaries and other emoluments	820,490	777,005	204,500	258,265
Defined contribution plan	52,560	51,300	–	–
	1,021,550	1,048,805	353,000	478,765

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31. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

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

(b) Significant related party transactions

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

	Group	
	2016 RM	**2015 RM**
Transactions with subsidiary companies		
- Management fee received/receivable	648,000	648,000
- Dividend income	–	417,072

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Fee	328,640	378,700	328,640	378,700
Salaries and other emoluments	3,622,052	1,597,800	234,500	1,075,860
Defined contribution plan	151,776	122,997	–	71,697
	4,102,468	2,099,497	563,140	1,526,257

32. SEGMENT INFORMATION

In the previous financial year, the Group has one operating segment comprises mainly the manufacturing and sale of semi-finished healthy supplement products. During the financial year, the Company acquired Mediconstant Group with the principal activity of retail pharmacy and additional operating segment including by the management.

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

Trading and manufacturing	Research, development, manufacture, importer, exporters, distribution and trader of nutritional and healthcare products.
Retails pharmacy	Pharmacist, druggist and chemicals
Others	Investment holding and provision of management

32. SEGMENT INFORMATION (CONT'D)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

	Trading and manufacturing RM	Retail Pharmacy RM	Others RM	Total Segments RM	Adjustments and eliminations RM	Note	Consolidated RM
2016							
External customers	32,332,060	14,790,477	–	47,122,537	–		47,122,537
Inter-segment	4,454,230	243,384	648,000	5,345,614	(5,345,614)		–
Total revenue	36,786,290	15,033,861	648,000	52,468,151	(5,345,614)		47,122,537
Results							
Interest income	51,754	85	217,620	269,459	–		269,459
Finance costs	(54,361)	(114,628)	–	(168,989)	–		(168,989)
Depreciation and amortisation	(5,864,654)	(250,859)	(105)	(6,115,618)	–	(6,115,618)	
Other non-cash items	5,897,634	(312,836)	–	5,584,798	–	(A)	5,584,798
Segment profit/(loss)	11,368,246	(2,432,072)	(885,662)	8,050,512	(126,296)		7,924,216
Capital expenditure	11,980,438	514,035	–	12,494,473	(93,000)		12,401,473

No comparative figures for year 2015 as the Group has one operating segment in the previous financial year.

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32. SEGMENT INFORMATION (CONT'D)

Adjustments and eliminations

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiary companies.

Inter-segment revenues are eliminated on consolidation.

A. Other non-cash items consist of the following as presented in the respective notes to the financial statements:

	Group 2016 RM
Other non-cash items:	
Bad debts written off	(41,770)
Impairment losses on trade receivables	(184,868)
Reversal of impairment losses on trade receivables	1,205
Deposits written off	(34,000)
Property, plant and equipment written off	(238,969)
Gain disposal of property, plant and equipment	60,879
Unrealised gain on foreign exchange	1,011,787
Grant income	5,005,534
Waiver of deposit	5,000
	5,584,798

Geographic information

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

	Group	
	2016 RM	2015 RM
Malaysia	20,609,625	6,261,102
Indonesia	13,517,737	14,414,787
China	12,995,175	8,327,018
Others	–	717,376
	47,122,537	29,720,283

Major customers

Revenue from 5 (2015: 2) major customers amounting to RM23,202,079 (2015: RM5,139,988), arising from Group's revenue.

33. 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	Financial liabilities measured at amortised cost RM	Total RM
Group			
2016			
Financial Assets			
Trade receivables	29,083,776	–	29,083,776
Other receivables	13,299,723	–	13,299,723
Fixed deposits with licensed banks	3,895,013	–	3,895,013
Cash and bank balances	2,034,595	–	2,034,595
	48,313,107	–	48,313,107
Financial Liabilities			
Trade payables	–	3,722,721	3,722,721
Other payables	–	3,852,122	3,852,122
Amounts due to a Director	–	10,439	10,439
Finance lease liabilities	–	252,879	252,879
Bank borrowings	–	3,525,576	3,525,576
	–	11,363,737	11,363,737

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group			
2015			
Financial Assets			
Trade receivables	19,249,631	–	19,249,631
Other receivables	3,387,765	–	3,387,765
Fixed deposits with licensed banks	7,965,440	–	7,965,440
Cash and bank balances	5,803,544	–	5,803,544
	36,406,380	–	36,406,380
Financial Liabilities			
Trade payables	–	178,159	178,159
Other payables	–	1,970,389	1,970,389
Amounts due to a Director	–	22,049	22,049
Finance lease liabilities	–	393,950	393,950
Bank borrowings	–	1,538,135	1,538,135
	–	4,102,682	4,102,682
Company			
2016			
Financial Assets			
Other receivables	48,781	–	48,781
Amount due from subsidiary companies	39,095,056	–	39,095,056
Fixed deposits with licensed banks	3,000,000	–	3,000,000
Cash and bank balances	105,562	–	105,562
	42,249,399	–	42,249,399
Financial Liabilities			
Other payables	–	63,252	63,252
Amount due to a subsidiary company		20,000	20,000
Amount due to a Director	–	1,049	1,049
	–	84,301	84,301

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
2015			
Financial Assets			
Amount due from subsidiary companies	27,943,493	–	27,943,493
Fixed deposits with licensed banks	5,000,000	–	5,000,000
Cash and bank balances	14,785	–	14,785
	32,958,278	–	32,958,278
Financial Liabilities			
Other payables	–	448,972	448,972
Amounts due to a Director	–	1,049	1,049
	–	450,021	450,021

(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 and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

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

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

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 Company provides unsecured advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objective and policies (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and non-financial institutions for banking facilities and supply of goods and services granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM1,983,103 (2015: RM691,707), representing the outstanding banking facilities and for supply of goods and services to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

At 31 December 2016, the Group had 11 customers (2015: 12 customers) that accounted for approximately 79% (2015: 49%) 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 is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2016						
Non-derivative financial liabilities						
Trade payables	3,722,721	–	–	–	3,722,721	3,722,721
Other payables	3,852,122	–	–	–	3,852,122	3,852,122
Amounts due to a Director	10,439	–	–	–	10,439	10,439
Finance lease liabilities	169,274	66,389	32,868	–	268,531	252,879
Bank borrowings	695,838	882,357	1,100,997	1,826,436	4,505,628	3,525,576
	8,450,394	948,746	1,133,865	1,826,436	12,359,441	11,363,737
2015						
Non-derivative financial liabilities						
Trade payables	178,159	–	–	–	178,159	178,159
Other payables	1,970,389	–	–	–	1,970,389	1,970,389
Amounts due to a Director	22,049	–	–	–	22,049	22,049
Finance lease liabilities	127,374	236,810	63,948	–	428,132	393,950
Bank borrowings	852,555	386,518	339,553	–	1,578,626	1,538,135
	3,150,526	623,328	403,501	–	4,177,355	4,102,682

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2016			
Non-derivative financial liabilities			
Other payables	63,252	63,252	63,252
Amount owing to a subsidiary company	20,000	20,000	20,000
Amounts due to Director	1,049	1,049	1,049
	84,301	84,301	84,301
2015			
Non-derivative financial liabilities			
Other payables	448,972	448,972	448,972
Amounts due to Director	1,049	1,049	1,049
	450,021	450,021	450,021

(c) Market risks

(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 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
Group	
2016	
Trade receivables	25,421,973
Other receivables	6,925,456
Cash and bank balances	1,197,888
	33,545,317
2015	
Cash and bank balances	536,409

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax 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.

	2016 Change in currency rate	2016 Effect on profit before tax RM	2015 Change in currency rate	2015 Effect on profit before tax RM
USD	Strengthend 10%	3,354,532	Strengthend 10%	53,641
	Weakend 10%	(3,354,532)	Weakend 10%	(53,641)

(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 interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Financial asset:				
Fixed deposits with licensed banks	3,895,013	7,965,440	3,000,000	5,000,000
Financial liabilities:				
Banker's acceptance	200,000	–	–	–
Finance lease liabilities	252,879	393,950	–	–
Term loan	1,983,103	750,000	–	–
	2,435,982	1,143,950	–	–

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Floating rate instruments				
Financial liabilities:				
Bank overdraft	–	788,135	–	–
Term loans	1,342,473	–	–	–
	1,342,473	788,135	–	–

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

A change in 1% interest rate at the end of the reporting period would have increased /(decreased) the Group' profit before tax by RM13,425 (2015: RM7,881) respectively, arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Fair value of financial instruments

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

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			Carrying
	Level 1 RM	Level 2 RM	Level 3 RM	amount RM
Group				
2016				
Financial liabilities (Non-current)				
Finance lease liabilities	–	92,328	–	94,975
Term loan	–	1,576,363	–	1,983,103
	–	1,668,691	–	2,078,078

33. FINANCIAL INSTRUMENTS (CONT'D)

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

	Fair value of financial instruments not carried at fair value			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Carrying amount RM**
2015				
Financial liabilities (Non-current)				
Finance lease liabilities	–	242,764	–	249,824
Term loans	–	368,185	–	691,707
	–	610,949	–	941,531

(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).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

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

34. CAPITAL COMMITMENT

	Group	
	2016 RM	**2015 RM**
Authorised and contracted for		
Purchase of property, plant and equipment	4,500,000	4,500,000

NOTES TO THE
FINANCIAL STATEMENTS
(continued)

35. CONTINGENT LIABILITY

	Group	
	2016 RM	**2015 RM**
Unsecured		
Corporate guarantees given to the non financial institution for credit facility granted to a subsidiary company	1,983,103	691,707

36. CAPITAL MANAGEMENT

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

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

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total loans and borrowings	3,778,455	1,143,950	–	–
Less: Deposit, bank and cash balances	(5,929,608)	(13,768,984)	(3,105,562)	(5,014,785)
Net debt	(2,151,153)	(12,625,034)	(3,105,562)	(5,014,785)
Total equity	97,990,700	79,003,414	54,880,173	45,240,176
Gearing ratio (%)	N/A	N/A	N/A	N/A

Gearing ratio not applicable for financial year ended 31 December 2016 and 31 December 2015 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

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

NOTES TO THE
FINANCIAL STATEMENTS
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37. SIGNIFICANT EVENTS

(i) On 18 December 2015, Botanical Distribution Sdn. Bhd., a wholly-owned subsidiary company of the Company has entered into Sale of Shares Agreement ("SSA") with Ng See Hein and Loh Peng Yeow ("the Vendors") for acquisition of the entire equity interest in Mediconstant Holding Sdn. Bhd. for a purchase consideration of RM5,000,000 that to be satisfied via the issuance of 18,867,924 ordinary shares of RM0.05 each in the Company at an issue price of RM0.265 each.

The SSA has been completed on 19 January 2016.

(ii) On 29 January 2016, the Company has increased its issued and paid-up share capital by way of issuance of private placement of 17,718,962 new ordinary shares of RM0.05 each at an issue price of RM0.330 per share for working capital purposes.

(iii) On 27 May 2016, the Company proposed bonus issue of 166,665,655 new ordinary shares of RM0.05 each in the Company on the basis of one bonus share for every three existing ordinary shares held.

The bonus issue has been completed on 13 September 2016.

38. SUBSEQUENT EVENTS

(i) On 10 January 2017, the Company had increased its issued and paid up share capital by way of Right Issues of 133,333,131 new ordinary shares of RM0.05 each at an issue price of RM0.20 per Rights Share on the basis of 1 Right Share for every 5 existing ordinary shares together with 133,333,131 Warrants on the basis of 1 Warrant for every Right Share subscribed.

(ii) On 27 February 2017, the Company had offered and granted 20,000,000 Share Issuance Scheme option to the eligible Directors and Employees of the Company at an exercise price of RM0.205 per share.

39. 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 21 April 2017.

NOTES TO THE
FINANCIAL STATEMENTS
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40. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained earnings / (accumulated losses) of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained earnings/ (accumulated losses) of the Company and its subsidiary companies				
- realised	44,062,940	37,703,361	(3,178,047)	(2,292,385)
- unrealised	(1,331,153)	(2,549,442)	–	–
	42,731,787	35,153,919	(3,178,047)	(2,292,385)
Add : Consolidation adjustments	2,197,007	1,286,064	–	–
Total retained earnings/ (accumulated losses)	44,928,794	36,439,983	(3,178,047)	(2,292,385)

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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 2016 RM'000	Date of last revaluation	Age
BISB	No. 10, Jalan P/9A Section 13 Bandar Baru Bangi Selangor	Industrial land with the following buildings erected thereon: • 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	3,813	March 10, 2013	89 years
Mediconstant Pharmacy Sdn Bhd	83, Jalan 34/154, Taman Dahlia, Cheras,	Two (2) units of adjoining double storey shop lots for our retail pharmacy	N/A	1,647	freehold	1,639	Sept 27, 2016	34 years

LEASED

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
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: • an administration and management building; • a fertilizer storage facility; • an equipment store cum repair and maintenance workshop; • residential buildings as follows: (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: (i) skid tank; (ii) guardhouse; and (iii) water storage tank.	(2) / 123.5 to 1003 acres (3)	63,500 per annum (4)	07.04.2014 to 06.04.2044

PROPERTIES
(continued)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
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	(3)	(3)
BDSB	Dewina LSG Sdn Bhd	No. 10, Jalan P/9A Section 13 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.	8,800 per month	01.02.2016 to 31.01.2018
BISB	Wong Oon Chien & Choong Yoke Lan	No. 190, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Two (2) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / (1)	1,500 per month	01.01.2017 to 31.12.2018
BISB	Tan Eng Sin and Choong Yoke Lan	No. 191, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Two (2) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / (1)	1,500 per month	01.01.2017 to 31.12.2018
Mediconstant Pharmacy Sdn Bhd	Jaringan Satria Sdn Bhd	No. 80-81, Blok I, Jalan Teknologi 3/9, Bestari D'Kota, Kota Damansara 47810, Petaling Jaya, Selangor.	Two (2) units of adjoining double storey shop lots for pharmacy management office	6,026 sq. ft.	12,000 per month	01.06.2016 to 31.05.2018
Mediconstant Pharmacy Sdn Bhd	Mr Ng Seng Kuon	33, Jalan 45A/26, Taman Sri Rampai, Setapak, 53300 Kuala Lumpur	One (1) unit of shop lot for retail pharmacy	1,450 sq. ft.	4,000 per month	01.04.2015 to 31.05.2017
Mediconstant Pharmacy Sdn Bhd	Drive Auto Supply Sdn Bhd	89, Lorong Mamanda 1, Ampang Point, Jalan Ampang, 68000 Ampang, Selangor.	One (1) unit of shop lot for retail pharmacy	1,399 sq. ft.	10,000 per month	01.05.2015 to 30.04.2017
Mediconstant Pharmacy Sdn Bhd	Thirty One Fortune Sdn Bhd	145, Jalan Susur, Off Jalan Meru, 41050 Klang, Selangor.	One (1) unit of shop lot for retail pharmacy	505 sq. ft.	3,100 per month	01.07.2015 to 30.06.2018
Mediconstant Pharmacy Sdn Bhd	Yeo Kim Hooi Yeo Kim Thong	2984, Persiaran Raja Muda Musa, 41100 Klang, Selangor.	One (1) unit of shop lot for retail pharmacy	1,399 sq. ft.	3,200 per month	01.07.2015 to 30.06.2018
Mediconstant Pharmacy Sdn Bhd	Dagang Mewah Sdn Bhd	2794-4&5, Batu 5 1/4, Jalan Gombak, KL	Two (2) units of shop lot for retail pharmacy	3,300 sq. ft.	7,000 per month	01.10.2016 to 30.09.2018
Mediconstant Pharmacy Sdn Bhd	Ong Ah Khim	402, Jalan Pudu, 55100 Kuala Lumpur	One (1) unit of shop lot for retail pharmacy	1,593 sq. ft.	6,500 per month	01.10.2016 to 30.09.2019

PROPERTIES
(continued)

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) We have yet to enter into a lease agreement with the registered owner of Desaru Land and register the same under Section 221(1) of the NLC.

(4) Pursuant to the ECERDC Agreement, we have entered into a sub-lease agreement with ECERDC for the lease of 123.5 acres of pasir Raja Land under phase 1. Further, subject to the fulfilment of the following key performance indicators within two (2) years from the date of the ECERDC Agreement and ECERDC's approval, we shall have the right to commence development on the remaining 879.7 acres of pasir Raja Land and under phase 2 for a period of twenty eight (28) years commencing from 7 April 2016 to 6 April 2044:

- investment of RM3 million for the development under phase 1;
- creation of 35 new employments, wherein 70% of the labour pool shall consist of local workers;
- obtain a Malaysian Farm Certification Scheme for Good Agricultural Practice (MyGAP) from the Development of Agriculture of the MOA; and
- completion of planting of the 123.5 acres with certain minimum annual yield for eleven (11) of the planted herbal plants in both fresh and dried forms.

Pursuant thereto, the annual rental for the entire Pasir Raja Land, that is both phase 1 and phase 2, shall be RM203,527.50 and shall be reviewed every five (5) years from the date of the sub-lease agreement of 30 January 2015, whereby any increment shall be a minimum of 10% or other mutually agreed rates.

ANALYSIS OF **SHAREHOLDINGS**
as at 31 March 2017

SHARE CAPITAL

Total Number of Issued Shares	:	799,999,132
Issued Share Capital	:	RM40,000,015.42
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2017

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of Issued Share Capital
Less than 100	213	3.79	9,431	0.00
100 - 1,000	161	2.87	81,706	0.01
1,001 - 10,000	1,295	23.07	8,664,610	1.08
10,001 - 100,000	3,232	57.57	127,394,385	15.93
100,001 - 39,999,955*	710	12.65	387,221,373	48.40
39,999,956 and above**	3	0.05	276,627,627	34.58
Total	5,614	100.00	799,999,132	100.00

Remark :

* Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017
(Per Register of Substantial Shareholders)

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Hon Tian Kok @ William	117,616,807	14.70	–	–
2	Malaysian Technology Development Corporation Sdn Bhd	107,203,892	13.40	–	–
3	Perbadanan Nasional Berhad	82,505,606	10.31	–	–

DIRECTORS' INTERESTS IN SHARES AS AT 31 MARCH 2017
(Per Register of Directors' Shareholdings)

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Tan Sri Abd Rahman Bin Mamat	–	–	–	–
2	Hon Tian Kok @ William	117,616,807	14.70	–	–
3	Dr. Nik Ismail Bin Nik Daud	–	–	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Ho Tze Hiung	–	–	–	–
6	Dato' Rosely Bin Samsuri	7,999	0.001	–	–
7	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	–	–	–
8	Mohd Nasir Bin Abdullah	–	–	–	–

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017
(continued)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

No.	Name of Shareholders	No. of Shares	%
1	MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD	107,203,892	13.40
2	HON TIAN KOK @ WILLIAM	86,917,129	10.86
3	PERBADANAN NASIONAL BERHAD	82,506,606	10.31
4	KU LIAN SIN	16,324,532	2.04
5	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	14,566,666	1.82
6	HSBC NOMINEES (ASING) SDN BHD HSBC-FS I FOR JPMORGAN MALAYSIA FUND	14,321,599	1.79
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	12,235,119	1.53
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	10,559,999	1.32
9	GOH CHUN HAU	9,300,000	1.16
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	8,633,012	1.08
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	7,500,000	0.94
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	6,539,599	0.82
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	5,500,000	0.69
14	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	5,451,999	0.68
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	5,030,100	0.63
16	ON THIAM CHAI	5,000,000	0.63
17	TAN HAN CHONG	5,000,000	0.63
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEO POH BOON (PBLC-0Q0269)	4,800,000	0.60
19	ABDUL RASHID HUSSAIN	4,767,999	0.60
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAY HOCK SOON (MY1055)	4,000,000	0.50
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	3,720,300	0.47
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP (240218)	3,653,000	0.46
23	CHEW AH CHAY	3,580,000	0.45
24	KENG CHEW HAR	3,539,400	0.44
25	LIM AI CHENG	3,395,900	0.42
26	TAN AH SAN @ TAN AH SENG	3,259,299	0.41
27	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,990,600	0.37
28	TAN AH SAN @ TAN AH SENG	2,800,999	0.35
29	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISEE (SD BR-TST-ASING)	2,694,600	0.34
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SOON HENG	2,630,000	0.33

ANALYSIS OF **WARRANTS HOLDINGS**
as at 31 March 2017
(continued)

ANALYSIS OF WARRANTS HOLDINGS AS AT 31 MARCH 2017

Issued Size	:	Renounceable Rights Issue of 133,333,131 Rights Share(s) together with 133,333,131 Warrants at an issue price of RM0.20 on the basis of 1 Rights Share for every 5 Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed
Number of Warrants Holders	:	1,599

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 31 MARCH 2017

Size of Holding	No. of Warrants	% of holders	No. of Warrants	% of Warrants
Less than 100	96	6.00	4,240	0.00
100 - 1,000	88	5.50	53,012	0.04
1,001 - 10,000	550	34.40	2,947,801	2.21
10,001 - 100,000	693	43.34	28,569,521	21.43
100,001 - 6,666,638*	168	10.51	57,099,322	42.82
6,666,639 and above**	4	0.25	44,658,889	33.50
Total	1,599	100.00	133,332,785	100.00

Remark :
* Less than 5% of issued holdings
** 5% and above of issued holdings

SUBSTANTIAL WARRANTS HOLDERS AS AT 31 MARCH 2017
(AS PER REGISTER OF SUBSTANTIAL WARRANT HOLDERS)

No.	Name of Substantial Warrants Holders	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	Hon Tian Kok @ William	14,486,188	10.86	–	–
2	Perbadanan Nasional Berhad	13,751,101	10.31	–	–
3	Chew Ah Chay	10,157,000	7.62	–	–
4	Keng Chew Har	6,781,600	5.09	–	–

LIST OF DIRECTORS' WARRANTS HOLDINGS AS AT 31 MARCH 2017
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

No.	Name of Director	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	Tan Sri Abd Rahman Bin Mamat	–	–	–	–
2	Hon Tian Kok @ William	14,486,188	10.86	–	–
3	Dr. Nik Ismail Bin Nik Daud	–	–	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Ho Tze Hiung	–	–	–	–
6	Dato' Rosely Bin Samsuri	1,333	0.001	–	–
7	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	–	–	–
8	Mohd Nasir Bin Abdullah	–	–	–	–

ANALYSIS OF WARRANTS HOLDINGS
as at 31 March 2017
(continued)

LIST OF TOP 30 WARRANTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2017)

No.	Name of Warrants Holders	No. of Warrants	%
1	HON TIAN KOK @ WILLIAM	14,486,188	10.86
2	PERBADANAN NASIONAL BERHAD	13,751,101	10.31
3	CHEW AH CHAY	9,740,000	7.31
4	KENG CHEW HAR	6,681,600	5.01
5	WEE YEOW TIN	2,700,000	2.03
6	GOH CHUN HAU	2,300,000	1.73
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	2,106,200	1.58
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	2,093,333	1.57
9	KWAN SWEE CHEONG	1,156,000	0.87
10	NG YING ZHI	1,129,900	0.85
11	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING HAN (CCTS)	1,000,000	0.75
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD OOI TIONG SIENG	1,000,000	0.75
13	GOH AH JU	979,000	0.73
14	TAN BOON PENG	936,367	0.70
15	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HENG AI LI	819,700	0.61
16	NG YU SIN	810,000	0.61
17	CHUNG CHEE SAN	800,000	0.60
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOW SING CHONG (MM0750)	800,000	0.60
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEO POH BOON (PBCL-OG0269)	800,000	0.60
20	ABDUL RASHID HUSSAIN	794,666	0.60
21	HO JING JIAN	785,000	0.59
22	TAN AH BEE @ TAN AH HAI	770,300	0.58
23	KOH CHENG GIOK	705,000	0.53
24	LOO KIM @ LOH KIM LENG	700,000	0.53
25	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF DANA ADIB	624,000	0.47
26	CHOA SEONG YEE	600,000	0.45
27	CHUA TIAN SENG	600,000	0.45
28	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO KWEE HOCK (STA 1)	542,967	0.41
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEAH CHONG HEAN	540,000	0.41
30	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR ONG BENG HOOI	526,600	0.39

NOTICE OF THE SIXTH (6TH) ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) Annual General Meeting of Bioalpha Holdings Berhad ("Bioalpha" or "the Company") will be held at Melati Room, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Friday, 26 May 2017, at 10.00 a.m. for the purpose of transacting the following businesses:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees and other benefits payable of up to RM273,600 to the directors of the Company for the financial year ending 31 December 2017. (Ordinary Resolution 1)

3. To re-elect the following Directors who are retiring by rotation in accordance with Article 104 of the Company's Articles of Association as Directors of the Company:-

   i. Dato' Rosely Bin Samsuri (Ordinary Resolution 2)
   ii. Mr Ho Tze Hiung (Ordinary Resolution 3)

4. To re-appoint Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim as Director of the Company. (Ordinary Resolution 4)

5. To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

AS SPECIAL BUSINESS:
To consider and if thought fit, to pass the following as ordinary resolution:

6. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** (Ordinary Resolution 6)

   THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental / regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Section 75 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

7. To transact any other business of which due notices shall have been given in accordance with the Companies Act, 2016.

BY ORDER OF THE BOARD

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

Kuala Lumpur
Date: 28 April 2017

Notes:-

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 10.00 a.m., Wednesday, 24 May 2017 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 65(2), 65(3) & 65(4) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 22 May 2017. Only depositor whose name appears on the Record of Depositors as at 22 May 2017 shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.*

NOTICE OF SIXTH (6^{TH}) ANNUAL GENERAL MEETING

(continued)

Explanatory Notes to Ordinary and Special Business:-

1. **Item 1 of the Agenda**

   The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. **Ordinary Resolution 4**
   Re-appointment of Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim as Director of the Company.

   With the coming into force the Companies Act 2016 on 31 January 2017, there is no age limit for directors. At the Fifth (5th) Annual General Meeting of the Company held on 31 May 2016, Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim, who is above the age of 70, were reappointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Sixth (6th) Annual General Meeting.

   His term of office will end at the conclusion of the 6th Annual General Meeting and he has offered himself for re-appointment. The proposed Ordinary Resolution 4, if passed, will enable Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date. The Nomination Committee ("NC") of the Company has assessed the criteria and contribution of Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim and recommended for his re-appointment. The Board has endorsed the NC's recommendation that Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim be re-appointed as Director of the Company.

3. **Special Business - Ordinary Resolution 6**
   Authority to Allot Shares Pursuant to Section 75 of the Companies Act, 2016

   The Ordinary Resolution 6, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued 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 next Annual General Meeting.

   The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, 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 were issued pursuant to the authority granted to the Directors at the 5th Annual General Meeting held on 31 May 2016, the mandate of which will lapse at the conclusion of the 6th Annual General Meeting to be held on 31 May 2017.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election and re-appointment at the Sixth (6th) Annual General Meeting of the Company are:-

a) Directors standing for re-election pursuant to Article 104 of the Company's Articles of Association:-

   i. Dato' Rosely Bin Samsuri
   ii. Mr Ho Tze Hiung

b) Director standing for re-appointment:-

   i) Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

Details of the abovenamed Directors are set out on pages 13 to 15 and their shareholdings in the Company are set out on page 148 to 151 of this Annual Report.

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 6th Annual General Meeting of the Company to be held at Melati Room, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Friday, 26 May 2017 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.	To approve the payment of Directors' fees and other benefits payable of up to RM273,600 to the directors of the Company for the financial year ending 31 December 2017	Ordinary Resolution 1		
2.	Re-election of Dato' Rosely Bin Samsuri as Director	Ordinary Resolution 2		
3.	Re-election of Mr Ho Tze Hiung as Director	Ordinary Resolution 3		
4.	Re-appointment of Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim as Director	Ordinary Resolution 4		
5.	Re-appointment of Auditors	Ordinary Resolution 5		
6.	Authority to allot shares pursuant to Section 75 of the Companies Act, 2016	Ordinary Resolution 6		

Signed on this ___________ day of _____________ 2017.

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

____
Signature of Shareholder or Common Seal

* *Strike out whichever is not desired.*

Notes:-

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 10.00 a.m., Wednesday, 24 May 2017 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 65(2), 65(3) & 65(4) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 22 May 2017. Only depositor whose name appears on the Record of Depositors as at 22 May 2017 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 (Company No.949536-X)

c/o SYMPHONY SHARE REGISTRARS SDN BHD (Company No.378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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www.bioa.com.my

BIOALPHA HOLDINGS BERHAD
(949536-X)

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

CONSTANT Lifestyle and Wellness Pharmacy apotec nushine