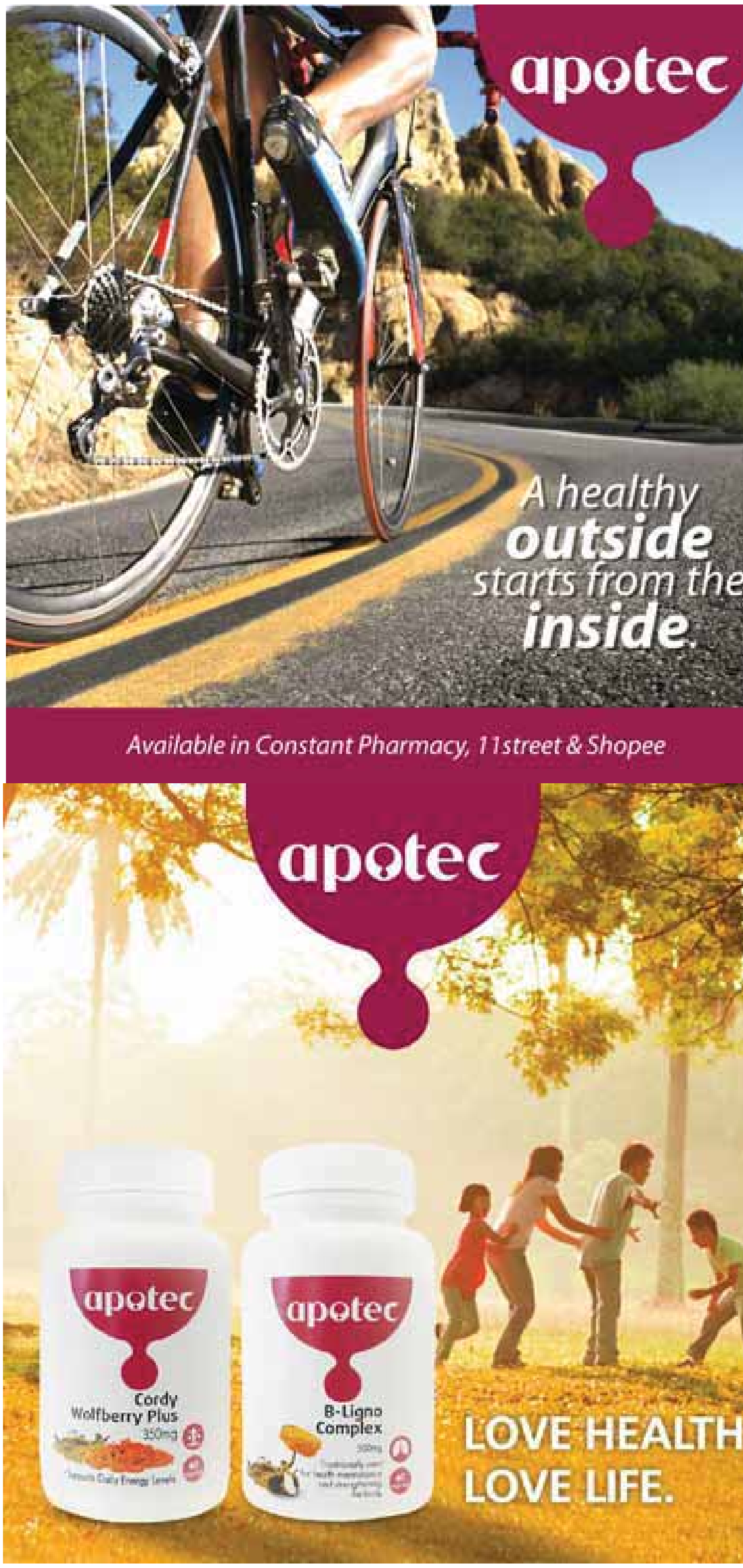
Health Through Biotech

Bioalpha Holdings Berhad
STOCK CODE: BIOHLDG (0179)

An Integrated Health
Supplement Company

ANNUAL REPORT 2017

CONTENTS



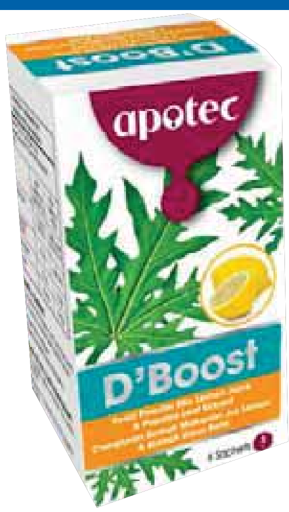
apotec
A healthy
outside
starts from the
inside.
Available in Constant Pharmacy, 11street & Shopee
apotec
apotec
Cordy
Wolfberry Plus
350mg
apotec
B-Ligno
Complex
LOVE HEALTH
LOVE LIFE.

ABOUT **BIOALPHA**

Bioalpha Holdings Berhad ("Bioalpha" or "the Company") is an investment holding company with its subsidiaries ("the Group") principally involved in manufacturing and sale of health supplement products.

Founded in 2005, Bioalpha has grown to become an integrated biotechnology company with businesses comprising all segments of the supply chain, including the cultivation of herbal plants as a source of raw materials for the in-house production of its products, research and development ("R&D"), manufacturing, distribution and operating a retail pharmacy chain under the brand "Constant". The Group's health supplement products are manufactured and sold under original design manufacturing ("ODM") basis to its clients as well as under its own proprietary house brands.

All of Bioalpha's health supplement products are Halal-certified and are sold in Malaysia with Indonesia and China as main export markets.



ABOUT **BIOALPHA**
(continued)

VISION

As a regional health supplement group to improve the total well-being of people 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 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.

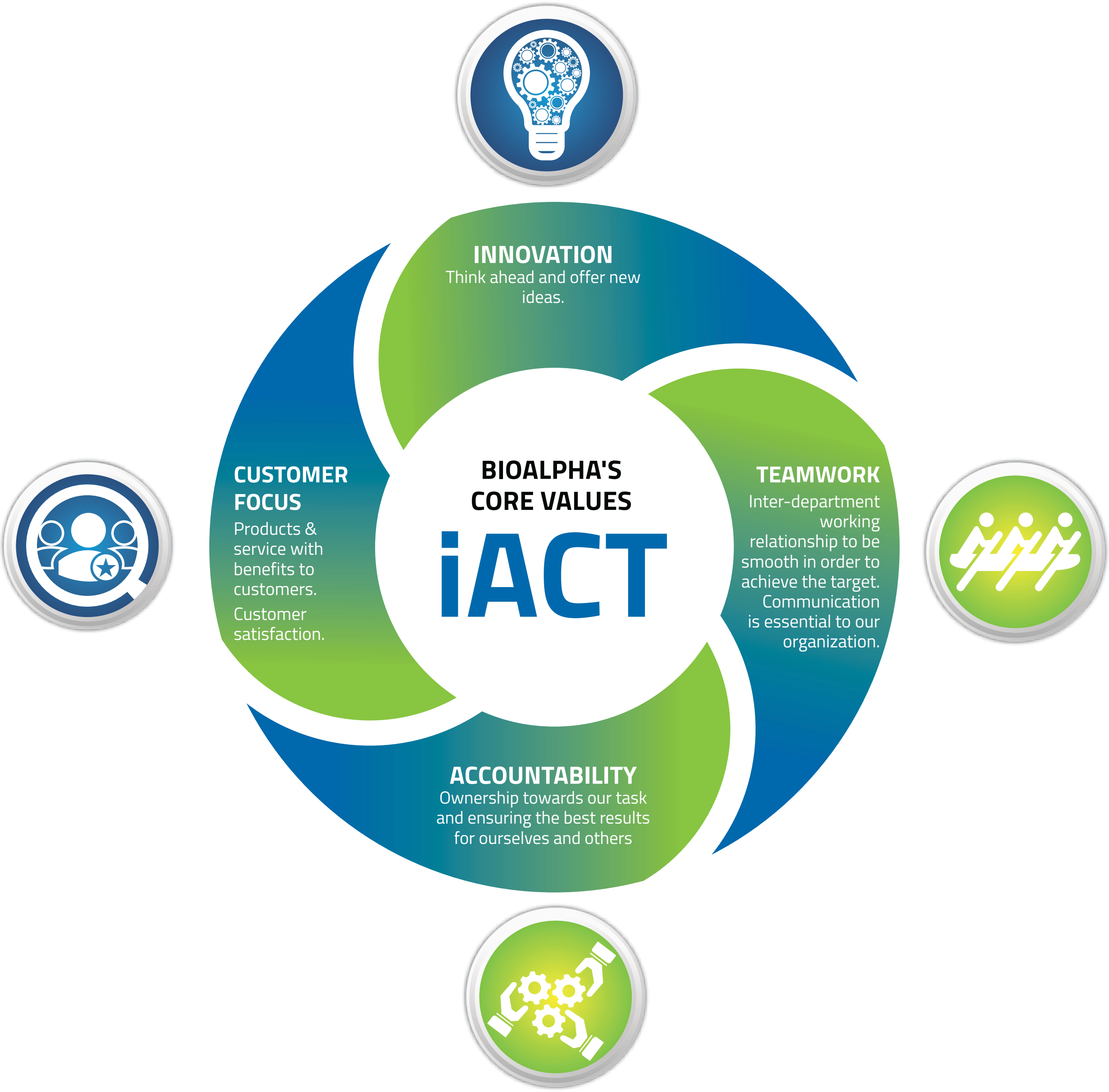
To reinforce research collaboration and strategic partnerships with local and regional experts in the fields of biotechnology and herbal supplements-related research in the area of biotechnology.

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.

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

RISK MANAGEMENT COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)
Mohd Nasir Bin Abdullah
Ho Tze Hiung

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.com.my
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

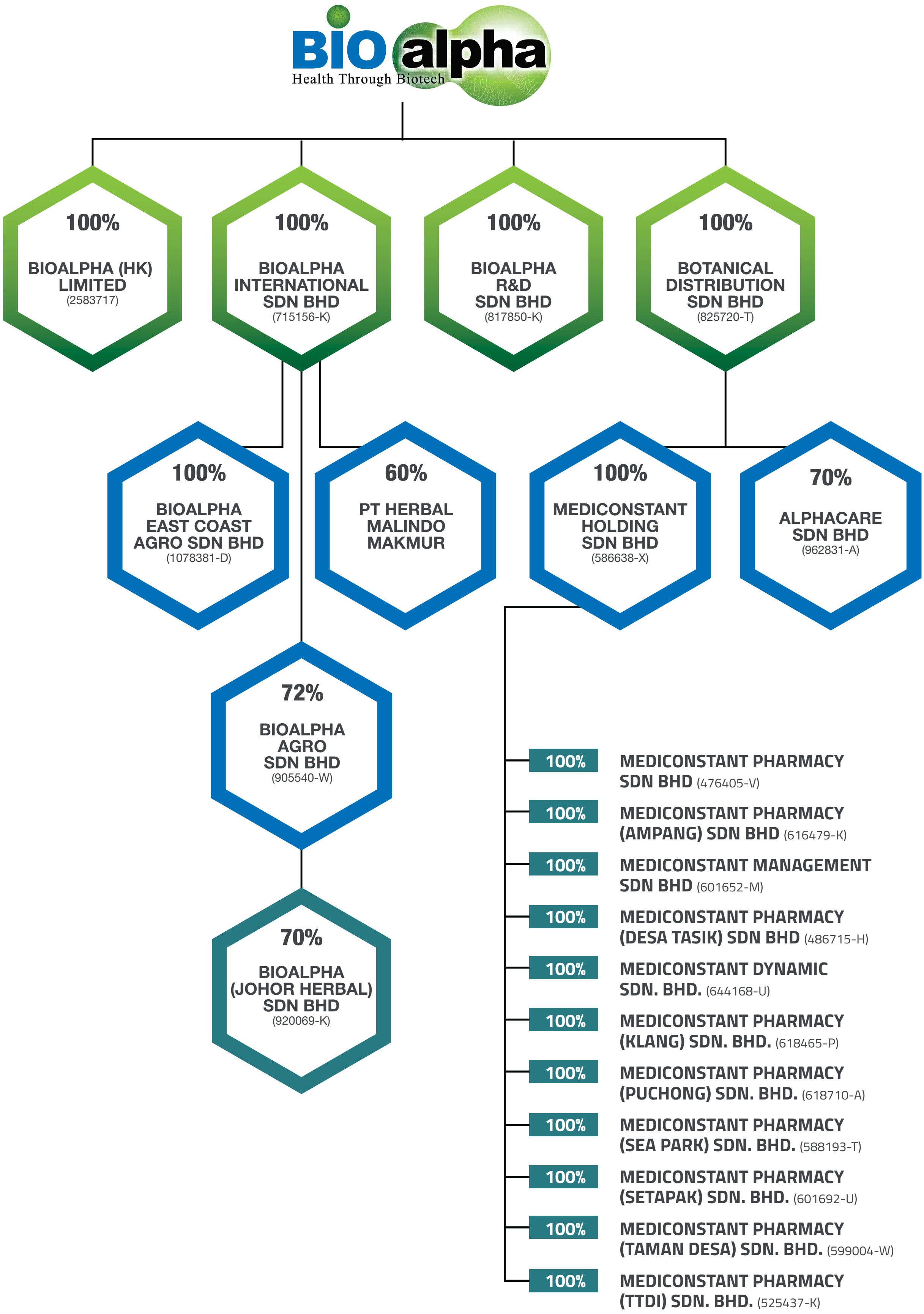
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No. : (603) 7841 8000
Fax. No. : (603) 7841 8151 / 8152

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



MAJOR ACTIVITIES
IN 2017

E-CONSTANT LAUNCHING


BABY CORNER LAUNCHING AT CONSTANT PHARMACY IN PUCHONG PRIMA OUTLET

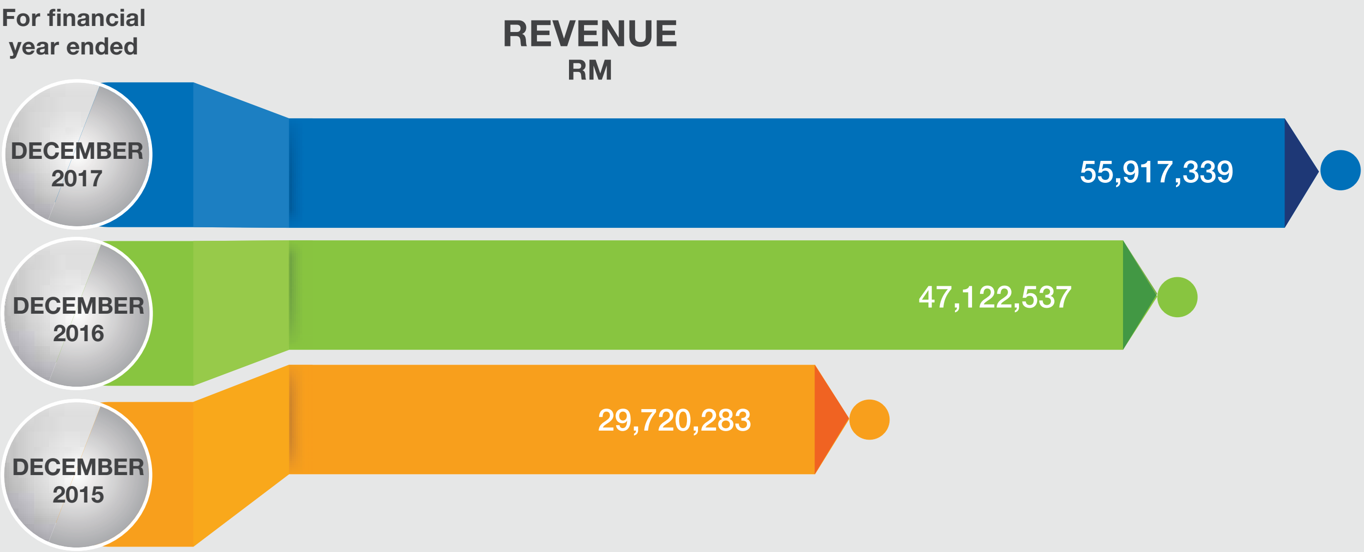
OPENING OF CONSTANT PHARMACY OUTLET IN KIP MALL

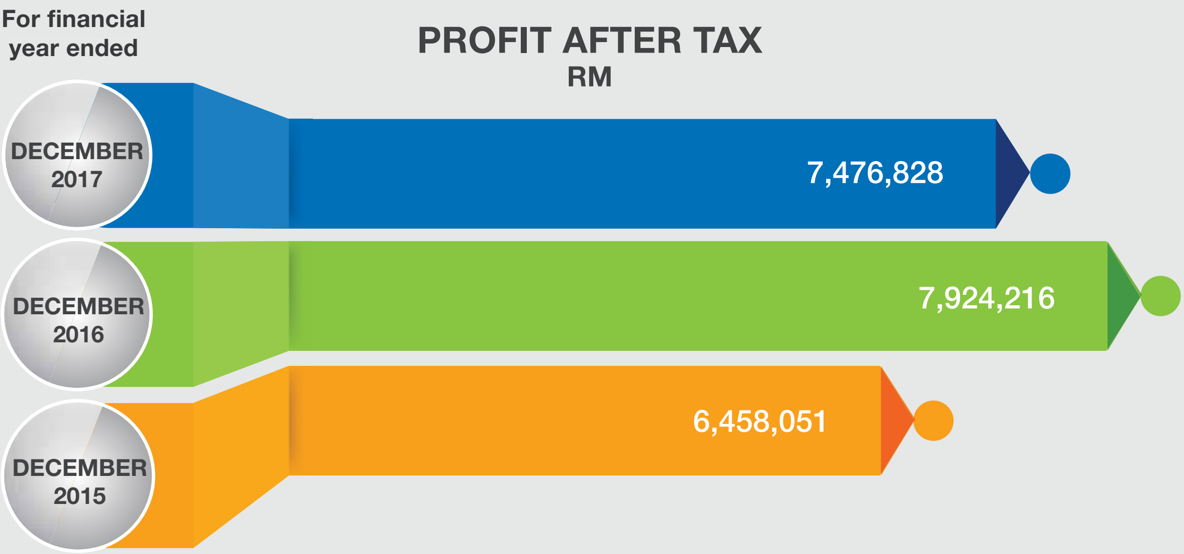
FINANCIAL HIGHLIGHTS

	For Financial Year Ended 31/12/17 RM	For Financial Year Ended 31/12/16 RM	For Financial Year Ended 31/12/15 RM
Financial Results			
Revenue	55,917,339	47,122,537	29,720,283
EBITDA	16,122,632	13,751,855	12,135,520
Profit before tax	9,374,724	7,736,707	7,302,590
Profit after tax	7,476,828	7,924,216	6,458,051
Net dividend	809,250	-	417,072
Net profit attributable to:			
Owners of the parent	7,864,983	8,488,811	6,796,465
Non-controlling interests	(388,155)	(564,595)	(338,414)
	As at 31/12/17	**As at 31/12/16**	**As at 31/12/15**
Financial Position			
Assets			
Property, plant and equipment	37,238,407	29,291,581	26,902,893
Goodwill on consolidation	5,334,030	5,334,030	-
Development expenditure	30,532,011	18,568,014	12,970,672
Biological assets	189,253	302,284	282,765
Current assets	80,524,190	60,349,134	48,540,403
Total assets	153,817,891	113,845,043	88,696,733
Equity			
Share capital	87,453,673	33,333,282	23,170,656
Reserves	47,981,991	64,657,418	55,832,758
Total equity attributable to owners of the company	135,435,664	97,990,700	79,003,414
Non-controlling interests	(803,158)	(594,890)	(277,262)
Liabilities			
Deferred tax liabilities	4,057,259	2,342,940	2,645,605
Finance lease liabilities	647,361	252,879	393,950
Bank borrowings	3,139,876	3,525,576	1,538,135
Current liabilities	11,340,889	10,327,838	5,392,891
Total equity and liabilities	153,817,891	113,845,043	88,696,733
Weighted average no. of ordinary shares	**803,636,734**	**663,601,297**	**604,599,317**

	For Financial Year Ended 31/12/17	For Financial Year Ended 31/12/16	For Financial Year Ended 31/12/15
Financial Indicators			
Earnings per share (sen)	**0.98**	**1.28**	**1.12**
Net dividend per share (sen)	**0.10**	**-**	**0.09**
Net assets per share (RM)	**0.17**	**0.15**	**0.17**
Return on equity (%)	**5.57**	**8.11**	**8.20**
Share price as at financial year end (RM)	**0.248**	**0.206**	**0.315**

FINANCIAL HIGHLIGHTS
(continued)






apotec
apotec
PRIMA
TONGKAT ALI
Traditionally used for health and strengthening the body
apotec
Prima
Tongkat Ali
350mg
Traditionally used for health and strengthening the body
Available in Constant Pharmacy,
11street & Shopee

BOARD OF **DIRECTORS**

TAN SRI DATO' ABDUL RAHMAN BIN MAMAT

66 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 (Hons) from University of Malaya in 1975 and later obtained an Advanced Management Programme qualification from Harvard Business School, Boston, United States of America ("US") in 2004.

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

He currently serves on the board of several private limited companies involved in Malaysia including Hiap Teck Venture Berhad, Malaysian Industrial Development Finance Berhad, DagangNeXchange Berhad, Parkson Holdings Berhad and Lotte Chemical Titan Holding Berhad as well as several private limited companies in Malaysia which are involved in finance, manufacturing, retail and services sectors covering global logistics, healthcare and oil, gas and energy.

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

BOARD OF **DIRECTORS**
(continued)

HON TIAN KOK @ WILLIAM

42 Years

Malaysian, Male

*Managing Director/
Chief Executive Officer*

Mr. Hon Tian Kok @ William is our Founder, Major Shareholder, Promoter and Managing Director/Chief Executive Officer. He was appointed to our Board on 21 June 2011 and is primarily responsible for overseeing our Group's performance and strategic direction.

Mr. William Hon brings a wealth of knowledge and experience to Bioalpha in the areas of Biotechnology and Healthcare industries, as well as Finance, Audit, Strategic Planning, Marketing and International Business Relations.

Through his stints at various organizations including private entities and public listed company, he developed keen interest in the biotechnology sphere and spent considerable time and efforts to hone his skills. With vast knowledge and experience under his belt, he embarked on his entrepreneurial journey in 2005 when he established Bioalpha International Sdn Bhd ("BISB").

Over the past thirteen years, under his leadership and guidance, Bioalpha Group has transformed from a humble beginningto a leading homegrown integrated health supplements corporation listed on the ACE Market of Bursa Malaysia Securities Berhad, with end-to-end operations from herbal farming to Research & Development, manufacturing, distribution and retail pharmacy. The Group currently operates the largest herbal park in Malaysia that is accredited with Malaysian Good Agriculture Practices ("MyGAP") certification, while the manufacturing facilities are certifiedGood Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP").

Mr Hon was instrumental in developing Bioalpha's export markets in Indonesia and China, and the two overseas markets now collectively contribute a significant portion to the Group revenue. On growing the Group's downstream activities, he steered the team to venture into retail pharmacy segment and currently Bioalpha operates a chain of retail pharmacy under the brand Constant.

He also spearheaded the efforts to develop botanical drugs and this led to Bioalpha being successfully selected by theMalaysia Performance Management and Delivery Unit ("PEMANDU") as one of the few anchor companies to work on the botanical drugs projects.

Mr. Hon received 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. He has a Master in Business Administration from Ireland.

He does not hold any directorship in other public listed companies.

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

BOARD OF **DIRECTORS**
(continued)

HO TZE HIUNG
41 Years
Malaysian, Male
Executive Director
Member of Risk Management Committee

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

Mr. Ho has extensive working experience and knowledge in the areas of Marketing, Sales, Wholesale Operations as well as Training, having served at various organizations since he began his career in 1999. His initial professional exposure was mainly in the food-related industry, where he rose through the ranks from Marketing Executive to Operations Manager. Subsequently, he joined a multinational insurance company in 2003 as a Trainer.

Following that, he began his journey in the health supplement industry when he served as Marketing Manager at Biocell Research & Development Sdn Bhd in 2004. He joined Bioalpha International Sdn Bhd ("BISB") in 2005 as the Marketing Director and was responsible for the Group's marketing activities. He was promoted to Operations Director in 2012.

Mr. Ho received his Bachelor of Business degree, majoring in Business and Management, from Oxford Brooks University in 1999.

He does not hold any directorship in other public listed companies.

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

DATO' NORHALIM BIN YUNUS
55 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. He graduated from UKM in 1986 and is the Chief Executive Officer ("CEO") of Malaysian Technology Development Corporation ("MTDC"), a wholly-owned subsidiary of Khazanah Nasional Berhad, the investment arm of the Malaysian Government.

He has been the CEO of MTDC since June 2008 and has extensive experience in the commercialization of public sector universities' research results, early stage technology ventures, innovation policy development and fund management. He is one of the pioneers in the commercialization of R&D results from public universities/research institutes in Malaysia and has played many roles related to the overall development of the Malaysian technology commercialization ecosystem; as a venture capital fund manager, government fund manager, incubator manager and as industry expert in various public sector technology commercialization and innovation-related committees.

He joined MTDC in 1993 and has had the opportunity to be deeply involved in the Malaysian innovation ecosystem development; working with local universities to commercialize their research results, introducing various funding schemes to assist entrepreneurs, creation of the first university-based incubator and various other innovative initiatives that have been introduced in Malaysia.

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

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

BOARD OF **DIRECTORS**
(continued)

DATO' ROSELY BIN SAMSURI

65 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 board of Perbadanan Nasional Berhad ("PNS"), 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 offences within the past five years other than traffic offences, if any.

TAN SRI DATO' DR SYED JALALUDIN BIN SYED SALIM

74 Years

Malaysian, Male

Independent Non-Executive Director

Chairman of Remuneration Committee, Risk Management 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 is the Founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by Ministry of Finance (Incorporated).

He does not hold any directorship in other public listed companies.

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

BOARD OF **DIRECTORS**
(continued)

MOHD NASIR BIN ABDULLAH

52 Years

Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

Member of Risk Management 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, secretarial and management services, in 2013.

He does not hold any directorship in other public listed companies.

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

DR. NIK ISMAIL BIN NIK DAUD

67 Years

Malaysian, Male

Independent Non-Executive Director

Chairman of Nomination Committee

Member of Remuneration Committee

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

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

He began his career as a lecturer on various subjects such as food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels 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 till 2014.

He is 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 the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysia 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 for 18 years until 2014 and was also past President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA).

He does not hold any directorship in other public listed companies.

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


apotec
apotec
Tea Mix with
Roselle
Available in Constant Pharmacy,
11street & Shopee

PROFILES OF
KEY SENIOR MANAGEMENT

GOH SIOW CHENG

36 Years
Malaysian, Female
Group Chief Financial Officer

Ms. Goh Siow Cheng 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.

She 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. On 1 January 2014, she joined the Company as our Financial Controller, and was promoted to Group Chief Financial Officer in 21 April 2017.

Ms. Goh 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 does not hold any directorship in other public listed companies.

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

45 Years
Malaysian, Male
Group General Manager

Mr. Low Chen Kong is responsible for overseeing the business operations of Production, R&D and Agriculture Division of our Group. He graduated with a Master of Science in Engineering Business Management from University of Warwick, United Kingdom.

He 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 2008. On 1 November 2016, he joined Bioalpha Holdings Berhad as a Group General Manager.

Mr. Low 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 does not hold any directorship in other public listed companies.

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

36 Years

Malaysian, Male

Chief Executive Officer of Mediconstant Holding Sdn. Bhd.

Mr. Ow Pak Thung 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.

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

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

He does not hold any directorship in other public listed companies.

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.

SHAHRIZAL BIN SHARUDIN

39 Years

Malaysian, Male

Quality Assurance & Quality Control Manager

En. Shahrizal Bin Sharuddin is our Quality Assurance & Quality Control 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.

En. 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 & QC 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 does not hold any directorship in other public listed companies.

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)

MAPLE HOW WAI CHENG

44 Years
Malaysian, Female
Group Human Resources & Admin. Manager

Maple How Wai Cheng is our Group's Human Resources & Admin. Manager and is responsible for all aspects of human resource related functions which includes manpower planning and recruitment, establish and uphold human resource policies and compliance with employee labour laws, staff discipline, staff welfare, staff development and training, employee relations and industry relations. She graduated with a Bachelor in Business Administration (Hons) from University of Wolverhampton, United Kingdom in 1997.

Maple How Wai Cheng began her career with S & P Food Industries (M) Bhd as an Administrative & Account Assistant from July 1997. In March 2006, she started working in Healthcare company DBC Spine & Rehabilitation Centre for a period of 2 years.

Her first managerial role was with Suez Top Ventures Sdn Bhd which is the owners of Food & Beverage franchise Madam Kwan's Restaurants where she was Human Resource Manager for 8 years between March 2006 to March 2014. She held the position of Group Human Resource & Admin Manager in construction company Dindings Consolidated Group of Companies between March 2014 to May 2017. On 1 June 2017, she joined the Company as Group Human Resources & Admin. Manager. Overall she has more than 20 years of experience specializing in Human Resources & Administration, ranging across different fields from construction, food & beverage, healthcare, electronics and manufacturing.

She does not hold any directorship in other public listed companies.

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.

apotec

SUPPLEMENT

CHAIRMAN'S **STATEMENT**

Dear valued shareholders,

On behalf of the Board of Directors ("Board") of Bioalpha, I am privileged to present to you the Annual Report and Audited Financial Statements of Bioalpha for the financial year ended 31 December 2017 ("FY2017").

OVERVIEW & FINANCIAL HIGHLIGHTS

Bioalpha is an integrated nutraceutical and health supplement company involved across all segments of the supply chain, including herbal farming of raw materials, research and development, manufacturing and distribution of health supplement products as well as operating of a retail pharmacy chain. We believe our Group's holistic and end-to-end approach continues to give us competitive edge over our peers as it allows us to have better control over the quality and costing of our outputs and end-products, plus having direct access to consumers via our pharmacy network.

In 2017, the Group successfully delivered a solid set of financial performance with Bioalpha achieving an all-time high revenue of RM55.9 million while net profit stood at RM7.5 million for the FY2017. The Malaysian market remained the anchor for the Group, registering higher sales from both manufacturing and retail pharmacy divisions whereas contributions from China and Indonesia markets remained stable. Our commendable results were accomplished on the back of a more favourable operating environment in 2017 where Malaysia's economy strengthened with strong domestic demand supported by higher employment.

On the corporate front, we successfully incorporated a wholly-owned subsidiary, BIOALPHA (HK) LIMITED ("Bioalpha HK") in Hong Kong with an issued share capital of HKD2.0 million. Bioalpha HK will be involved in the areas of R&D, import and export and distribution and trade of the Group's nutritional and health supplement products in China.

The Board had on 27 November 2017 declared an interim single-tier dividend of 0.1 sen per share, which was paid to shareholders on 8 January 2018.

MARKET OUTLOOK

We saw the world economy grow by 3.7% in 2017, signalling improvement in consumer confidence and economic activity gathering pace globally. Malaysia's economy also expanded in tandem by 5.9% in 2017 on the back of stronger exports and robust domestic demand, supported by private consumption and a stable labour market. The steady growth momentum will likely continue into 2018, stimulating more investment from the public and private sector. Our Ministry of Finance forecasts the Malaysian economy to expand between 5.0% and 5.5% in 2018[1] underpinned by continued resilience in domestic demand.

[1] *2018 Economic Report by Ministry of Finance*

CHAIRMAN'S **STATEMENT**
(continued)

MARKET OUTLOOK (cont'd)

Malaysia's health supplement market is forecasted to grow at compounded annual growth rate ("CAGR") of 6.3% to RM4.5 billion by 2018[2], driven by rising household income and improved health awareness in the country.

Our neighbouring country, Indonesia, meanwhile saw its economy expanded by 5.1% in 2017 with household consumption as the main driver of its economic growth. The health supplement market in Indonesia is projected to register CAGR of 12.7%, reaching USD2.1 billion in 2018[2], attributable to a growing middle-income population and increasing interest in health supplement products.

Over in China, the country's economy experienced healthy growth of 6.9% in 2017. Rising at an attractive CAGR of 33.5%, the health supplement market in China is expected to increase to USD221.6 billion in 2018[2] underpinned by rising disposable income, rapidly ageing population and changing lifestyles.

Given the aforementioned positive outlook, we believe Bioalpha is well-positioned to benefit from the growing health supplement industries in Malaysia, Indonesia and China, which are our key operating markets.

PROSPECTS FOR 2018

The health supplement market holds much potential on the back of growing household income and trends of increasing awareness on general health and well-being. Our prospect appears to be bright as we continue to execute our expansion plans in view of a more favourable market sentiment in 2018.

Domestically, Malaysia's manufacturing division and retail pharmacy business are expected to do well in the coming year. We will continue our efforts to expand the Group's products base (both house brands and ODM[3] brands) to sustain interest in the market with periodical roll out of new products to drive growth for the Group. These new products will cater to the current consumer trend and high demand areas such as anti-ageing, obesity care, immunity, antioxidant and men's and women's health benefits.

For our retail pharmacy business, we expect to franchise more "Constant" pharmacy outlets outside of Klang Valley and further expand from our current network of 16 outlets. Our retail pharmacy performance is further supported by the Group's e-Constant initiative, a rewards referral programme for cooperative members, aimed at boosting the Group's product sales through e-Constant virtual stores.

In China, we will continue to work with our trusted distributors to market and promote our range of healthcare products. Our newly-established subsidiary, Bioalpha HK, will facilitate R&D activities via collaboration with local universities in Hong Kong, which we believe would further strengthen our presence in China. Meanwhile, increased registration of new products will support sales in Indonesia.

As for herbal farming, land clearing and planting activities have started on the 880-acre land under Phase 2 development of Pasir Raja Herbal Park. We aim to fully cultivate the area with various plants and expect to harvest 2,000 tonnes of raw herbs by 2020.

Overall, the Group is making progress on all fronts with our expansion plans well underway. We will continue to work diligently on our business and look forward to reaping the benefits of our hard work and investments in the future.

CORPORATE GOVERNANCE

While we strive to enhance shareholders' value, Bioalpha upholds itself to the highest standard of corporate governance and practices throughout the Group. The Statement of Corporate Governance of this Annual Report outlines the corporate governance standards and practices adopted by the Group in accordance with the Malaysian Code of Corporate Governance 2017.

[2]Independent Market Research by Smith Zander International Sdn Bhd
[3]Original Design Manufacturing

APPRECIATION & ACKNOWLEGEMENT

On behalf of the Board, I would like to express my gratitude to Bioalpha's management team and employees for their continuous dedication and hard work to bring the Group to where it is today.

I would also like to thank all our stakeholders, including our shareholders, clients, suppliers, bankers, 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 ("MBDC"), Johor Biotechnology & Biodiversity Corporation ("J-Biotech"), and Institute for Medical Research ("IMR"), for their steadfast support and confidence in Bioalpha.

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

MANAGEMENT DISCUSSION AND ANALYSIS
BY MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Dear valued shareholders,

I am pleased to present the review of the Group financial and operational performance for FY2017.

BUSINESS OPERATIONAL REVIEW

As an integrated health supplement Group, our businesses encompass the entire spectrum of the value chain, from the cultivation of herbal raw materials, to R&D, processing and manufacturing, distribution and operating retail pharmacy chain.

Herbal Farming → **Research & Development** → **Processing and Manufacturing** → **Products and Distribution** → **Retail Pharmacy**

Herbal Farming

We operate two of the largest herbal parks in the respective states located in Pasir Raja, Terengganu and Desaru, Johor with total average of 1,304 acres. Our aim is to be fully self-sufficient for herbal-based raw materials as we are able to control the quality of our output and improve our profit margins.

Bioalpha's Pasir Raja Herbal Park, which spans across approximately 1,004 acres, consist of 2 phases of development. The development of 124 acres of land under Phase 1 was completed in 2015. For Phase 2, the Group had started land clearing and planting activities over the remaining area of 880 acres with the completion expected by 2020.

The Group's herbal park at Pasir Raja adheres to the Malaysian Good Agriculture Practices ("MyGAP") which requires good practices of agriculture in the context of social and environment, ensuring high quality and safety in consumption of the Group's harvest while assuring the welfare of the farmers.

Our 300-acre Desaru Herbal Park located in Johor further supports our supply of raw materials for the Group's in-house production of herbal-based health supplements. Over 100 acres of land have been fully-planted with raw herbs under Phase 1, with the development of Phase 2 for the remainder of 200 acres to start in 2018.

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

Herbal Farming (cont'd)

The Group currently has over 20 different types of raw herbs and spices planted at the herbal parks, such as *Tongkat Ali, Kacip Fatimah, Misai Kucing, Hempedu Bumi, Roselle, Dukung Anak, Pecah Beling*, lemongrass, ginger, black pepper and soursop to name just a few. We have started harvesting on a small scale for herbs with short time-to-maturity. More herbs are progressively reaching maturity and we expect our harvest tonnage to potentially reach 2,000 tonnes by 2020.


Kacip Fatimah

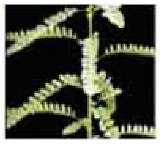

Tongkat Ali


Misai Kucing


Hempedu Bumi


Roselle


Ginger


Dukung Anak

In addition to the raw herbs planted, we also perform intercropping with the planting of coconut trees, which reaches maturity by approximately 5 years. Moving forward, we have identified *Musang King* durian to add to our range of crops at Pasir Raja Herbal Park. In 2018, we target to utilize 50 acres of land by planting *Musang King* durian trees. We expect to start harvesting *Musang King* durians in 5 years as the trees reach maturity.

R&D

R&D is at the heart of what we do. Our in-house R&D team developed all the formulations of both our house brand and ODM products. This capability enables us to tailor-make our products according to our customers' specification and differentiates us from our peers. As we own the proprietary formulations, it also increases customer stickiness.

In 2017, we spread our wings to Hong Kong by incorporating a wholly-owned subsidiary, Bioalpha HK with an issued share capital of HKD2.0 million. The new subsidiary shall facilitate R&D activities in Hong Kong Science Park, which is part of Hong Kong Science and Technology Parks Corporation ("HKSTP"), to study and develop formulation and products tailored to local taste buds in Hong Kong and China. Bioalpha HK will also undertake importing and exporting duties, distributing and trading activities of the Group's range of products in that region. This provides a platform for us to enter the Hong Kong market and to strengthen our presence in China.

As for our progress in the botanical drugs development, pre-clinical studies of the drugs have been carried out in Malaysia, Taiwan and India. We are currently in the process of applying for approval from the Ministry of Health to commence Phase 1 of Clinical Trial. To recap, Bioalpha was selected in 2013 as one of the Anchor Companies to develop the botanical drug in Malaysia, as one of the country's entry point projects for the Economic Transformation Programme. Our R&D efforts were focused in the advancement of botanical drugs for treatment of diabetes type 2 and as an alternative to Hormone Replacement Therapy for menopausal syndrome management.

Processing and Manufacturing

Bioalpha is involved in the manufacturing of nutritional and health supplement products. Our main facility is in Bangi, Selangor. We also have primary processing plants located at our herbal parks in Pasir Raja, Terengganu and Desaru, Johor, as well as a Good Manufacturing Practice ("GMP")-equivalent secondary processing plant in Kampar, Indonesia.

As part of our ongoing expansion, we continued to upgrade all our existing facilities in order to increase production capacity and improve operational facility. Additional new machinery are being added from time to time to complement the introduction of new product lines for the purpose of product diversification.

The Group's manufacturing plant in Kampar, Indonesia, meanwhile, has commenced operations in 2017 upon receiving the Usaha Kecil Obat Tradisional ("UKOT") license to produce traditional herbal medicine, health supplement and functional foods in the form of liquid, capsule, sachet and teabags. These products are formulated to suit the Indonesian consumer taste buds.

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

Processing and Manufacturing (cont'd)

Bioalpha's new plant in Kampar

By establishing a plant in Kampar, we are able to secure new product registration approvals in Indonesia at a swifter pace, enabling us to roll-out new products faster, hence accelerating our growth. The Group expects the contribution from our Indonesian market to increase gradually as production picks up in the future.

Products and Distribution

In 2017, the Group continued its efforts in introducing new products in all our key markets. During the year, we saw an uptick in demand from existing ODM customers, and we have successfully secured new ODM customers as well. Going into 2018, we expect the current uptrend in sales from ODM customers to prevail, underpinned by our ongoing sales and marketing efforts, coupled with the sustained overall economy and private consumption growth in the local market.

Bioalpha also produces health supplement products sold under the Group's house brands of "Apotec" and "NuShine" in Malaysia. Domestically, Bioalpha launched several new products in 2017. Looking ahead, we aim to increase our house brand offerings in order to enhance our product range and help boost profitability. Our house brand products are largely distributed locally through our "Constant" retail pharmacy outlets.

Bioalpha's house brand products

In China, we continued to collaborate with the appointed distributors to market our products in Southern China. A variety of new products were introduced in 2017 and more new products are slated to be launched in 2018. We target to penetrate Muslim-majority provinces of Xinjiang, Qinghai, Shaanxi and Gansu by leveraging on the Halal-certification of our products. To this end, we have appointed distributors in the respective provinces to promote and facilitate the distribution of our healthcare products during the year. While we are optimistic on the Group's prospect in China, we understand that it would take time for our efforts to materialise as there is a need to educate and develop the market in these provinces.

For our Indonesian business, we successfully rolled out several new health supplement products in 2017 and continue to work with several distribution partners in Indonesia to promote these products. Our R&D team is continuously working on developing formulations that are localised for the Indonesian market. We have already secured approvals for a number of new functional foods and are working to roll out these products progressively.

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

Retail Pharmacy

Bioalpha operates a retail pharmacy chain under the brand name "Constant". In 2017, the Group focused on widening the reach of "Constant" pharmacy outlets through introduction of the franchising model. We currently operate 15 outlets located in Klang Valley, Kelantan and Terengganu, with 4 more outlets to follow soon. Our strategy is to launch new outlets outside of Klang Valley where competition is less intense and we could provide more value-added services. Perak and Johor are identified as the new target markets, in addition to increasing our presence in Kelantan and Terengganu. We have already secured a number of franchisees in these markets and they are in various stages of preparation for the opening of new outlets. The Group is also on the lookout for strategic acquisitions to accelerate the expansion of our outlets.

Bioalpha's Constant retail pharmacy outlet

During the year, Bioalpha launched the e-Constant virtual store with referral rewards programme for cooperative members with the aim of improving the Group's online presence and boosting our retail sales. We have stepped up the Group's promotional and marketing efforts to attract and register more cooperative members to operate the virtual stores.

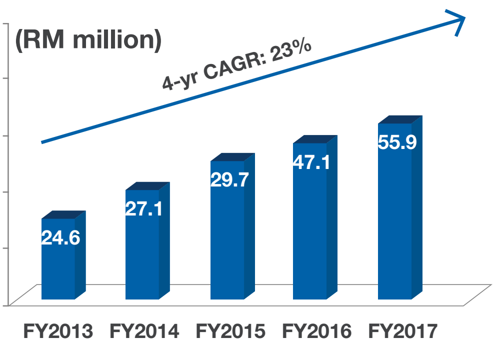
FINANCIAL PERFORMANCE REVIEW

Revenue

Bioalpha's revenue for FY2017 reached a record high of RM55.9 million, an increase of 18.7% from RM47.1 million reported in the previous year ("FY2016"). The growth was on the back of improved performance from our domestic market which recorded an increase in revenue of 45.0% to RM29.9 million in FY2017. During the year, we saw the turnover from our Malaysia manufacturing division (ODM sales) doubled its revenue to RM10.5 million while our retail pharmacy segment grew 31.0% to RM19.4 million.

For the year under review, sales to China was stable with revenue of RM12.5 million while export to Indonesia remained consistent at RM13.5 million.

FY2013-2017 Revenue



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

Gross profit

The Group's gross profit improved to RM22.0 million in tandem with revenue growth. However, due to higher production expenditure, gross profit margin slightly dipped to 39.4% in FY2017 as compared to 41.4% in FY2016. The Group is constantly reviewing and enhancing its sales mix in order to achieve better profit margins.

Net profit attributable to owners of the company ("Net profit")

The Group registered a net profit of RM7.9 million for FY2017, which is 7.4% lower from last year's net profit of RM8.5 million. However, the marginal drop was mainly due to non-operational expenditures incurred during the year, including the higher deferred tax arising from origination and reversal of temporary differences of RM1.7 million.

Bioalpha's full year earnings were further impacted by two one-off expenses recognised in the first quarter of FY2017 relating to the fair value charges for the Group's Share Issuance Scheme ("SIS") of RM1.8 million and corporate expense of RM0.6 million for the Rights Issue with Free Warrants ("Rights Issue") exercise, which was completed on 10 January 2017.

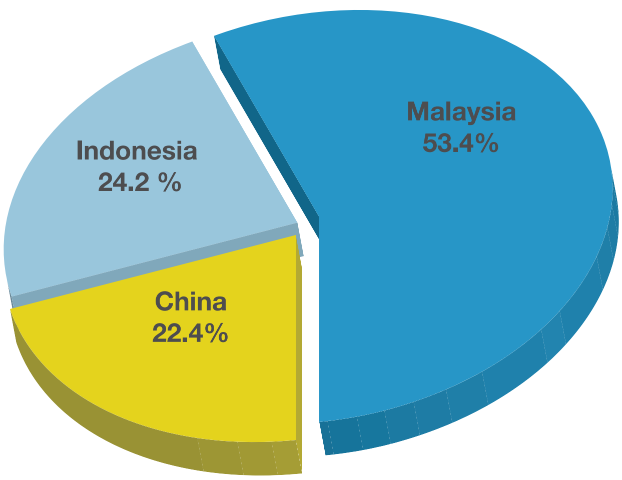
Segmental breakdown

Bioalpha's manufacturing division remained as the Group's revenue growth driver, contributing 65.3% to the Group's total revenue, while retail pharmacy made up the remaining 34.7%.

The Group's manufacturing division expanded 13.0% year-on-year ("YoY") to RM36.5 million in FY2017. Within the manufacturing segment, increase in demand from existing ODM customers as well as securing of new ODM customers have contributed to the improved performance of the Malaysian operations. Our export sales to China accounted for 22.4% while Indonesia contributed 24.2% to the Group's revenue for FY2017.

Meanwhile, revenue for our retail pharmacy business increased 31.0% YoY to RM19.4 million in FY2017, driven by improved sales in our "Constant" pharmacies as well as higher franchisee fees collected due to the opening of new outlets during the year. Collectively, sales from the Malaysian market make up 53.4% of the Group's total revenue for FY2017.

FY2017 Sales Mix by Country

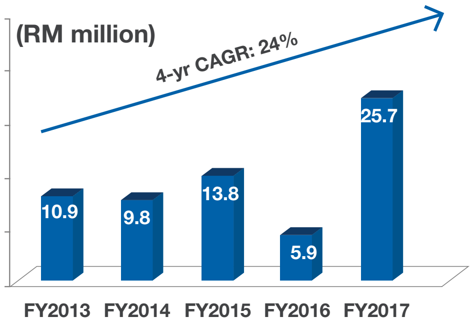


MANAGEMENT DISCUSSION AND ANALYSIS
BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
(continued)

BALANCE SHEET STRENGTH

Bioalpha's financial position remained solid as at 31 December 2017 with deposits, cash and bank balances soaring to RM25.7 million from RM5.9 million as at 31 December 2016. The increase was attributed to internally generated cash (from operations) as well as unutilized portion from the Right Issue. The Group continued to generate strong positive cash flow as net operating cash flow amounted to RM20.2 million as at end-2017 as compared to RM1.5 million in FY2016, in part due to collection of receivables during the year. We will continue to closely monitor our collection of receivables through the Group's stringent credit control measures.

FY2013 - 2017 Cash and Bank Balances



Total borrowings for FY2017 decreased by RM385,700 to RM3.1 million resulting in debt-to-equity ratio improving to 0.028 times. Besides lower borrowings, the improvement in debt-to-equity ratio was also attributed to an increase of 38.2% YoY in shareholders' equity to RM135.4 million as a result of a larger share capital base and share premium account arising from the Rights Issue with exercise of the Warrants. Consequently, net asset per share also grew to 16.7 sen in FY2017. If we take into consideration our cash position, Bioalpha is in net cash position as our cash and cash equivalents outsized our borrowings.

We are confident that our current financial standing is able to sustain the Group's day-to-day operations and support future business prospects.

ANTICIPATED RISKS

Intellectual property risk

Bioalpha manufactures a range of medicinal mushroom-based health supplement products using mycelium produced via proprietary process developed by our in-house R&D team. Sustaining our competitive edge for these products depends upon our ability to protect the proprietary rights from risk of infringement.

To this end, Bioalpha had made 8 patent applications – 4 in each of Malaysia and Taiwan -- to safeguard the processes and to protect our proprietary knowledge in order to maintain a competitive edge. Additionally, non-disclosure and confidentiality agreements were also effected with relevant parties as and when necessary.

Harvest risk

Our products are at risk of contamination and defect. In the case of a widespread product recall, Bioalpha's profitability could be affected due to destruction of inventories and loss of potential sales. This could also jeopardise the Group's reputation and impact sales of our products.

Nonetheless, the Group mitigates against this risk by having adequate product liability insurance coverage to protect against claims of injury caused by defective products. Our operations also adhere to stringent quality control procedures for product formulation and manufacturing processes. The Group's main manufacturing facility in Bangi has been certified with Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP"). Since our inception, we have not experienced any product recalls from the market.

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

Product liability risk

Our products are at risk of contamination and defect. In the case of a widespread product recall, Bioalpha's profitability could be affected due to destruction of inventories and loss of potential sales. This could also jeopardise the Group's reputation and impact sales of our products.

Nonetheless, the Group mitigates against this risk by having adequate product liability insurance coverage to protect against claims of injury caused by defective products. Our operations also adhere to stringent quality control procedures for product formulation and manufacturing processes. The Group's main manufacturing facility in Bangi has been certified with Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP"). Since our inception, we have not experienced any product recalls from the market.

DIVIDEND

For FY2017, the Board had declared and paid an interim single-tier dividend of 0.1 sen per share amounting to RM809,250. In comparison, the Group did not pay out any dividends in FY2016. As Bioalpha is still in expansionary mode, the Board shall deliberate on the delicate balance between conserving cash to grow the business vis-à-vis rewarding our shareholders. As such, our ability to pay dividends shall be dependent on the Group's financial performance and position as well as capital expenditure required for expansion purposes.

OUTLOOK

Bioalpha is optimistic on the Group's outlook for 2018 as we continue to implement our growth strategies. We expect our manufacturing division to remain as the anchor of the Group by expanding our customer base and product offerings. The Group plans to introduce more new products to drive growth in our key markets in Malaysia, China and Indonesia in 2018. For our retail pharmacy business, we remain focused in increasing the number of our "Constant" pharmacy outlets through franchising. Together with the Group's e-Constant virtual store initiative, we hope to see higher earnings contributions from our retail pharmacy division in 2018.

On our agriculture side, we continue to expand with the development at both our herbal parks in Pasir Raja and Desaru. For the Phase 2 development of Pasir Raja, our progress is on track with expected completion in 2020, where we aim to harvest a total of 2,000 metric tonnes of raw herbs as we expect most plants to reach maturity by then. In anticipation of the increase in harvest tonnage, we are in the midst of discussions with prospective customers to distribute and sell our fresh herbs on a wholesale basis. The additional income stream would augur well for the Group's future prospects.

We believe that the future holds much promise for Bioalpha as we remain steadfast on our expansion journey. We are confident that with our team's expertise and commitment, to create sustainable long-term value for the shareholders of Bioalpha.

APPRECIATION

The Group's accomplishments are only made possible with the steadfast dedication of our employees, support from our customers, business associates, suppliers and government agencies. My deepest appreciation goes to all of them for their support and contribution to Bioalpha's growth.

Last but not least, I would like to extend my gratitude to all our shareholders for their continued loyalty and confidence in Bioalpha.

Hon Tian Kok @ William
Managing Director/Chief Executive Officer

apotec

SUPPLEMENT

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 four areas - Environment, Workplace, 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 facility 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. The Group also fully complies with the employment laws in Malaysia, including but not limited to, Employment Act 1955, Employment (Restriction) Act 1968, Minimum Retirement Age Act 2012, Minimum Wages Order 1966 and Occupational Safety and Health Act 1994.

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 the 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 create a 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.

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 also recognizes the crucial role of 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 to be marketed to public at affordable prices. In addition, the R&D team also create more than 30 new formulations every year, with a number of them being commercialized 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 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.

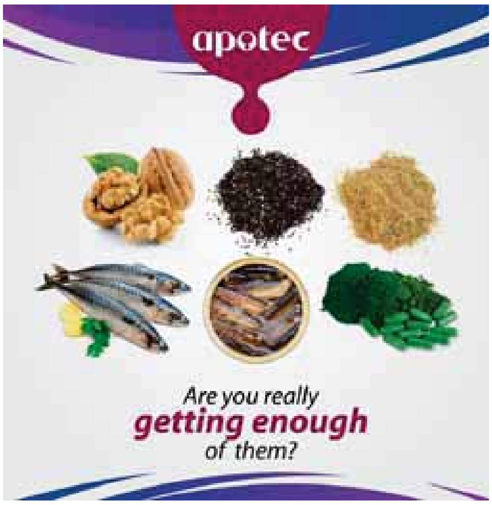
Other community activities we participated in included the Majlis Gotong-Royong at Kampung Sungai Permatang in Teluk Intan, Perak, which was organized by the MOA.

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 a company who puts the well-being of community as their top priority, we actively organize CSR to aid the less fortunate groups.



FOOD & NUTRITION

COMMUNITY ACTIVITY

HUMAN RESOURCE DEVELOPMENT

CORPORATE **SOCIAL RESPONSIBILITY**
(continued)

LOCAL CONTRIBUTION AT PASIR RAJA

Bioalpha is involved with the Safety Committee at Pasir Raja by offering our quarters which are located at higher ground to be used for flood relief. Last December, Dungun River in Pasir Raja exceeded the danger water level of 38.18 meters (m) due to heavy rain as compared to 34m which caused the surrounding area to be flooded.

In this regard, Bioalpha has provided aids to villagers affected by floods by contributing daily needs. Bioalpha believes this can help reduce the burden of the affected population.

GOTONG-ROYONG KAMPUNG SUNGAI PERMATANG

Through our strategic partnership with the Ministry of Agriculture, Bioalpha participated in a successful Gotong-Royong activity at Kampung Sungai Permatang in Teluk Intan, Perak. Villagers are involved in activities such as cleaning drainage and cutting grass to improve the living environment.

Bioalpha believes cooperation under program Gelombang Tani Nasional can reduce the burden of villagers.

CORPORATE **SOCIAL RESPONSIBILITY**
(continued)

EMPLOYEE ENGAGEMENT

At Bioalpha, we conduct regular employee's engagement activities with the aim to promote communication and unity among our employees. In 2017, we have hosted staff communication sessions, Merit Point Management Rewards and festival celebrations for our employees.

MERIT POINT MANAGEMENT REWARDS

Merit Point Management was introduced in 2017 as a way for the Group to celebrate and acknowledge the best employee who have achieved the highest merit points. Merits points are earned and collected by each staff based on their daily work performance.

The Merit Point Management Rewards recognizes top 10 employees with the highest Merits points from Bioalpha and Mediconstant. The rewards recipient were honored at a special event - "Bioalpha Happy Meeting Day 2017" held at Taman Botanical, Putrajaya in October 2017.

FESTIVE EVENTS
1. CHINESE NEW YEAR

2. HARI RAYA AIDILFITRI GATHERING

3. WORLD PHARMACISTS DAY 2017

Bioalpha and Mediconstant participated in the World Pharmacist Day celebration in September 2017. The objective of the event is to advocate awareness of pharmacist's role and contribution toward improving healthcare knowledge among the public. The event also aims to promote benefits of competitive sports and to foster UNITY through the power of sports. Various sport such as bowling, football and table tennis were held during the World Pharmacist Day. Bioalpha and Mediconstant won the runners up title in the football category.

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

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

SELANGOR

KIP Mall:
Lot G-45, JalanWarisanSentral 3, Kip Sentral,
Kota Warisan, 43900 Selangor Malaysia
Office No: +603-8705901

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

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
No. 338-G, Jalan Pasar Jerteh,
22000, Jerteh, Terengganu.
Tel : 09-6976018

KOTA BHARU
No. 55-G, Sec 27, Jalan Kebun Sultan,
15300, Kota Bharu, Kelantan
Tel : 09-9553018

OPENING SOON
Kota Bahru, Kelantan
Kubang Kerian, Kelantan
Chemor, Perak
Masai, Johor

STATEMENT ON **CORPORATE GOVERNANCE**

The Board recognizes the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2017 ("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 an overview 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 2017 pursuant to Rule 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

The Board is collectively responsible for the long-term success of our Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board governs and sets the strategic direction of the Company while exercising oversight on management. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.

1. Board's Leadership on Objectives and Goals

1.1 Set Strategic Aims, Values and Standards for the Company

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 legal duty to act in the best interests of the Group. The Directors, individually and collectively, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed.

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

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

In discharging its fiduciary duties, the Board has delegated specific tasks to five (5) Board Committees namely Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"), Risk Management Committee ("RMC") and Share Issuance Scheme ("SIS") Option Committee. The primary functions of which are to assist the Board in overseeing the affairs of the Company and these Committees have been entrusted with specific responsibilities and authority. The authorities and functions of these Board committees are properly set out in their respective Terms of Reference.

1.2 Appointment of Chairman

Tan Sri Dato' Abdul Rahman Bin Mamat was appointed as the Independent Non-Executive Chairman of the Company. Tan Sri Dato' Abdul Rahman Bin Mamat has been acting as facilitator at meetings of the Board to ensure the discussion takes place effectively and constructively, the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions.

The Chairman holds an Independent Non-Executive role and his roles and responsibilities have been clearly specified in the Board Charter, which is available on the Company's website at www.bioa.com.my.

STATEMENT ON CORPORATE GOVERNANCE (continued)

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

Part I - Board Responsibilities (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.3 The Positions of Chairman and Managing Director are held by Different Individuals

The positions of Chairman and Managing Director are separated and clearly defined. The Board believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

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

1.4 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 ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

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 advice 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 Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations 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. The Chairman of the Board Committees, namely, the AC, RC, NC, RMC 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.

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

Part I - Board Responsibilities (Cont'd)

2. Demarcation of Responsibilities

The Board acknowledges the importance of the demarcation of responsibilities between the Board, Board Committees and management. In order to achieve the aim of the clarity in the authority of the Board, its Committees and individual directors, the Board has formalised and adopted a Board Charter.

2.1 Board Charter

The Board Charter was adopted by the Board on 27 March 2014. The Board Charter set out the role, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members. The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter is available on the Company's website - www.bioa.com.my.

3. Good Business Conduct and Corporate Culture

The Board is committed to promote good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, management, employees and other stakeholders of the Group are clear on what is considered acceptable behavior and practice in Bioalpha Group.

3.1 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 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.

3.2 Whistle Blowing Policy and Procedures

The Group has in place a Whistle Blowing Policy designed to create a positive environment in which employees or external parties can raise genuine concerns without fear of recrimination and enable prompt correction action to be taken where appropriate. The Whistle Blowing Policy can be assessed at the Company's website at www.bioa.com.my.

STATEMENT ON **CORPORATE GOVERNANCE** (continued)

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

Part II - Board Composition

In order to achieve the intended outcome of the MCCG, the Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. Our Group has met most of the good practices recommended by the MCCG as follows:-

1. Board's objectivity

1.1 Composition of the Board

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

The Board consists 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 11 to 15 of this Annual Report.

1.2 Tenure of Independent Director

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.

1.3 Policy of Tenure of Independent Director

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of view that a term of more than nine (9) years may not necessarily 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.

1.4 Diverse Board and Senior Management Team

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.

In assessing suitability of candidates to the Board and Senior Management Team, 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.

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

Part II - Board Composition (Cont'd)

1. Board's objectivity (Cont'd)

1.5 Gender Diversity

The Board has not set gender diversity target as of the reporting period. The Board is of view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender to be in line with the MCCG's target.

1.6 Appointment of Directors

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 in assessing and recommending 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 identifying suitable new candidates, the NC will not solely rely on recommendations from existing Board members, Management or Major Shareholders, but will consider utilizing independent sources. During the financial year, there is no new appointment of Director.

1.7 Nomination Committee

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

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

STATEMENT ON CORPORATE GOVERNANCE (continued)

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

Part II - Board Composition (Cont'd)

2. Overall Board Effectiveness

2.1 Annual Evaluation

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 annual 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, in view of 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 annual 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 2017, 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.

The Board also 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.

Based on the assessment carried out during the financial year ended 31 December 2017, 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 continue to fulfil the definition of independence as set out in the AMLR.

2.1.1 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 sufficient 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.

STATEMENT ON
CORPORATE GOVERNANCE
(continued)

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

Part II - Board Composition (Cont'd)

2. Overall Board Effectiveness (Cont'd)

2.1 Annual Evaluation (Cont'd)

2.1.1 Time Commitment and Directorship in Other Public Listed Companies

During the financial year under review, there were five (5) Board Meetings held and the attendance record of the current Board members is reflected as follows:-

Name of Directors	Attendance
Tan Sri Dato' Abdul Rahman Bin Mamat	5/5
Hon Tian Kok @ William	5/5
Ho Tze Hiung	5/5
Dato' Norhalim Bin Yunus	5/5
Dato' Rosely Bin Samsuri	5/5
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	4/5
Dr. Nik Ismail Bin Nik Daud	5/5
Mohd Nasir Bin Abdullah	5/5

2.1.2 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 to enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needed by 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	▪ MFRS 9 Training ▪ Boardroom Effectiveness ▪ Luncheon Talk with Minister of Finance II, YB Johari Abdul Ghani ▪ Islamic Finance & Public Private Partnership (PPP) for Infrastructure Development ▪ Compliance Conference ▪ One -Day Conference Governance Culture - What's Possible? ▪ Effective Internal Audit Function for Audit Committee Workshop a Program for Audit Committee Members ▪ Humane Entrepreneurship Symposium: From Asia to the World ▪ Lunch Forum: The Digital Economy: Enter the Fourth Industrial Revolution

STATEMENT ON CORPORATE GOVERNANCE (continued)

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

Part II - Board Composition (Cont'd)

2. Overall Board Effectiveness (Cont'd)

2.1 Annual Evaluation (Cont'd)

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

Director	Seminars / Conferences / Training Programmes Attended
Hon Tian Kok @ William	▪ Defining Performance & Developing KPI's ▪ Merit Point Management Workshop ▪ KL Startup Forum 2017 ▪ Bioeconomy Day 2017
Dato' Norhalim Bin Yunus	▪ EmTech 2017 - The Conference on the Emerging Technologies That Matter ▪ Annual Investment Meeting - The World's leading emerging Markets FDI platform - "International Investment, Path to competitiveness and Development" ▪ Khazanah Megatrends Forum ▪ Inaugural Global Innovation Forum - Leveraging Exponential Technologies for Competitiveness and Development ▪ Securities Industry Development Corporation (SIDC) of Business Foresight Forum ▪ International CEO Forum 2017 - 'Sustaining Economic Growth with Social Consciences - Modalities of the New Era' ▪ 13th World Islamic Economic Forum organised by WIEF Foundation - "Disruptive Change: Impact and Challenges" ▪ Khazanah Lunch Roundtable (KLR) session: "Islam and Disruptive Change" ▪ Phosphate for Growth & Downstream Opportunities at Samalaju Industrial Park
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	▪ Malaysia Companies Act 2016 workshop ▪ Risk Management workshop ▪ JAKIM Training of Trainers workshop ▪ MIFT Seminar on Food Safety – Current Changes & Updates ▪ Malaysia -Taiwan Business Forum, Taiwan ▪ International Symposium on Future Opportunities for Food Industry in Malaysia, Taiwan ▪ Asean Food Conference 2017, Vietnam

STATEMENT ON
CORPORATE GOVERNANCE
(continued)

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

Part II - Board Composition (Cont'd)

2. Overall Board Effectiveness (Cont'd)

2.1 Annual Evaluation (Cont'd)

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

Director	Seminars / Conferences / Training Programmes Attended
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 ▪ AGM, Account, Annual Returns Under The Companies ACT 2016 – Companies Commission of Malaysia ▪ Corporate Gorvernance, Directors' Duties and Regulatory Updates Seminar 2017 ▪ MFRS 9 Financial Instruments : Gearing up for first time Adoption ▪ Seminar Company Income Tax 2017 – Malaysia Association of tax Accountants (M.A.TA) ▪ Tax Seminar – Malaysia Tax Academy ▪ Seminar Government Service Tax – Malaysian Association of Tax Accountants (M.A.T.A)
Ho Tze Hiung	▪ Junior Chamber International ("JCI") Malaysia National Partnership 2017 ▪ JCI Kuala Lumpur E-Awards Training 2017 ▪ JCI Malaysia Annual National Convention 2017 ▪ JCI Malaysia Annual National Convention 2017 ▪ Junior Chamber International Malaysia 2017 ▪ JCIM Area Sarawak Convention 2017 ▪ 13th Area Sabah Convention 2017

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
CORRPORATE GOVERNANCE
(continued)

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

Part III - Remuneration

The Board acknowledges the level and composition of remuneration of directors and senior management and take into account the Company's desire to attract and retain the right talent in the Board and senior management to drive the Company's long-term objectives. In order to achieve the aim, the Board had established Remuneration Committee and developed the remuneration policy to assist the Board in discharging its duties and responsibilities in the matters relating to the remuneration of the Board and senior management.

1. Level and Composition of Remuneration

1.1 Remuneration Policies and Procedures

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

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.

1.2 Remuneration Committee

The Board has set up a RC comprising a majority of Independent Non-Executive Directors in order to assist the Board in 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 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 Terms of Reference of the RC can be viewed at the Company's website at www.bioa.com.my

STATEMENT ON
CORPORATE GOVERNANCE
(continued)

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

Part III - Remuneration (Cont'd)

2. Remuneration of Directors and Key Senior Management

2.1 Details of Directors' Remuneration

The details of Director's remuneration are set out below:

	Fee RM	Salary & *Other Emoluments RM	Share Based Payment RM	Total RM
Executive Directors	–	605,417	495,000	1,100,417
Non-executive Directors	307,200	40,600	270,000	617,800

* Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.

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 RM100,000	–	2
RM100,001 to RM150,000	–	4
RM350,001 to RM400,000	1	–
RM700,001 to RM750,000	1	–

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

1. Effective and Independent Audit Committee

1.1 Chairman of Audit Committee

Mohd Nasir Bin Abdullah, who is an Independent Non-Executive Director, is the Chairman of the AC. He is a member of Malaysian Institute of Accountants. The Chairman of the Audit Committee is not the Chairman of the Board.

1.2 Former Key Audit Partner

None of the Board member is the former key audit partner of the External Auditors, Messrs UHY and the Directors do not foresee any new appointment of former key audit partner to the Board. However, the Board will observe the cooling-off period before appointing the former key audit partner, if any.

STATEMENT ON **CORPORATE GOVERNANCE** (continued)

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

Part I - Audit Committee (Cont'd)

1. Effective and Independent Audit Committee (Cont'd)

1.3 Assessment of Suitability, Objectivity 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 AC and Board of Directors on matters that require the Board's attention.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC 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 were reviewed by the AC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the AC.

In assessing or determining the suitability, objectivity and independence of the External Auditors, the AC 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.

Every year, the AC 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 AC are duly recorded by the Company Secretaries.

The AC 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 AC'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 2018.

1.4 Composition of the Audit Committee

The AC comprises three (3) members and two (2) of the AC members are Independent Directors. The present members of the AC are Mohd Nasir Bin Abdullah (Chairman), Dato' Rosely Bin Samsuri and Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim. This composition complied with the requirement of Rule 15.09(1)(a) and (b) of the Listing Requirements.

The terms of reference and summary of activities of the Audit Committee are set out in the Audit Committee Report.

1.5 Profile of Audit Committee Members

The profiles of AC members are in pages 14 to 15 of this Annual Report.

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

Part II – Risk Management and Internal Control Framework

1. Effective Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriately 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 of the existing risk management process in place within the various business operations, with the aim of formalizing the risk management functions across the Group. This function also acts as a source to assist the AC 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 details of the Group's risk management and internal control framework is elaborated in page 55 to 57 of the Statement on Risk Management and Internal Control of this Annual Report, which has been reviewed by the External Auditors.

2. Internal Audit Function

The details of the Group's internal audit function is elaborated in page 59 to 61 on the AC Report of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (continued)

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

Part I – Communication with Stakeholders

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

1. Continuous Communication between Company and Stakeholders

The Board recognizes the importance of keeping the shareholders informed and updated of developments 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 continuous disclosure of information to its shareholders as well as the general investing public.

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.com.my

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 view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

Part II – Conduct of General Meetings

General meetings are the important and effective platforms for directors and senior management to communicate with the shareholders. Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at general meetings.

1. Shareholder Participation at General Meetings

The Board is endeavors to dispatch its notice of Annual General Meeting ("AGM") at least 28 days before the meeting and mindful that the sufficient notice and time given would allow the shareholders to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

This would also enable the shareholders to properly consider the resolutions that will be discussed and decided at the meeting.

The Annual General Meeting 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.

STATEMENT ON
CORPORATE GOVERNANCE
(continued)

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

Part II – Conduct of General Meetings (Cont'd)

1. Shareholder Participation at General Meetings (Cont'd)

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.

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.

2. Attendance of the Chair of the Board Committees at the AGM

The Board took note that the presence of all directors will provide opportunity for shareholders to effectively engage each director. Besides, having the chair of the Board sub-committees present facilitates these conversations and allows shareholders to raise questions and concerns directly to those responsible. Accordingly, barring unforeseen circumstances, all directors as well as the Chairman of respective Board Committees (i.e. Audit Committee, Nominating Committee, Remuneration Committee and Share Issuance Scheme Committee) will present at the forthcoming AGM of the Company to enable the shareholders to raise questions and concerns directly to those responsible.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considered that the Statement on Corporate Governance provides the information necessary to enable shareholders of the Company to evaluate how the principles and best practices as set out in the MCCG have been complied with since the Company's listing on the Ace Market on 14 April 2015. The Board shall remain committed in attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws and regulations.

This statement is made in accordance with the resolution of the Board of Directors dated 20 April 2018.

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, 2016 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 2017, 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 2017. The statement is made in accordance with a resolution of the Directors dated 20 April 2018.

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 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 ("Internal Control 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, the Group's internal control system is 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 2017 ("MCCG 2017").

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 visits 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 is 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 IA function is RM54,000 for the financial year ended 31 December 2017.

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 ARMC 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 69 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")-compliant 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 AC 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 Group 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 Rule 15.23 of the AMLR, the external Auditors have reviewed this Risk Management and Internal Control Statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2017 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. BOARD 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 20 April 2018.

AUDIT COMMITTEE **REPORT**

The Audit Committee 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 lays 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 2017, 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	5/5
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	4/5

* Member of Malaysian Institute of Accountants

SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The activities of the Audit Committee during the financial year ended 31 December 2017 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 2017;

(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;

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 2017 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.

Currently, the external internal audit firm has 12 of internal auditors who are qualified and have professionalism in internal audit. Being an external internal audit firm, all internal auditors are free from any relationships and conflict of interest with the Group which could impair their objectivity and independence. The internal auditors adopts International Profesional Practices Framework for their audit works.

The cost incurred for the Internal Audit function during the financial year is approximately RM54,000.

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 its responsibilities:

(i) Stock Management Review

Key Objectives:-

Stock Receiving
- To ascertain that goods received are as order and accurately recorded into the system;

Stock Recording
- To ensure the accuracy, completeness and timeliness in recording and updating inventory system and records;

Stock issuance
- To ensure stock issuance/ movement are authorised, and accounted for; and

Safety and Security
- To determine the safety and security over stocks safekeeping.

(ii) Stock Management and Retail Collection System

Key Objectives:-

Stock Management

Stock Receiving
- To ascertain that goods received are as order and accurately recorded into the system;

Stock Recording
- To ensure the accuracy, completeness and timeliness in recording and updating inventory system and records;

Stock issuance
- To ensure stock issuance/ movement are authorised, and accounted for; and

Safety and Security
- To determine the safety and security over stocks safekeeping.

Retail Collection System

Sales Recording
- To determine the completeness and accuracy of recording and reporting of sales;

Collection Accountability
- To confirm all sales and collection are properly recorded and reconciled;

Cash Monitoring and Control
- To ascertain the custody of monies received by cashiers; and that cash are securely kept on premise; and
- To confirm that sales proceeds are timely and completed deposited to authorized bank account.

INTERNAL AUDIT FUNCTIONS (CONT'D)

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities: (Cont'd)

(iii) Customer Service and Complaint Handling Functions

Key Objectives:-

- To determine the availability of platforms for Customer Service & Complaint.
- To ensure the response/ feedback to Customer Enquiry; Feedback; and Complaint in timely manner; and
- To ascertain complaint put forth by Customer being monitored; highlighted; investigated; and rectified.

(iv) Franchise Management (High Level Review)

Key Objectives:-

Franchisee Assessment and Selection

- To ascertain the process and controls in place for assessment, selection and appointment of Franchisee;
- To determine existence of systematic Franchisee performance/ quality assessment procedures;

Franchise Agreement Management

- To ensure Franchise Agreement are established between Mediconstant Pharmacy Sdn. Bhd. and all Franchisee;
- To ensure Franchise Agreement are kept at safe and secured location;

Standard Policies and Procedures

- To ensure Standard Operating Policies and Procedures ("SOPP") developed to assist and regulate franchisee operations;
- To ensure Franchisee's Operating Policies and Procedures (different from SOPP) are approved by Franchisor;

Franchisee Continuous Support

- To determine existence of continuous support to Franchisee in the area of (1) training; (2) products; (3) marketing; (4) human resource; (5) finance and accounting.

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 55 to 57 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 2017 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	45,000	179,278
Non-Audit Services Rendered		
(a) Review of Statement on Risk Management and Internal Control	5,000	5,000
(b) Right Issue with Warrants	25,000	25,000

2. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NTURE

There was no recurrent related party transaction of revenue or trading nature during the financial year ended 31 December 2017.

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 follow:-

No.	Purpose	Approved Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Intended time Frame for Utilisation (from 10 January 2017)
(a)	Production of new products	13,500	(11,000)	2,500	Within 18 months
(b)	Capital expenditure	3,500	(3,500)	–	Within 18 months
(c)	Expansion of agriculture business operations	8,500	(3,504)	4,996	Within 18 months
(d)	Working capital	512	(512)	–	Within 6 months
(e)	Estimated expenses	655	(655)	–	Within 1 month
Total		26,667	(19,171)	7,496	

FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

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	7,476,828	(995,958)
Attributable to:		
Owners of the parent	7,864,983	(995,958)
Non-controlling interests	(388,155)	–
	7,476,828	(995,958)

RESERVES AND PROVISIONS

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

DIVIDENDS

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

	RM
An interim single tier dividend of RM0.001 per ordinary share in respect of the financial year ended 31 December 2017 on 8 January 2018	809,250

The Directors do not recommend any final dividend in respect of the current financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the number of issued and paid-up ordinary shares of the Company was increased as follows:

(i) Renounceable Rights Issue of 133,333,131 new ordinary shares ("Rights Shares") at an issue price of RM0.20 per Rights Share, together with 133,333,131 free detachable Warrants on the basis of one (1) Rights Share for every five (5) existing ordinary shares held with one (1) Warrants for every one (1) Rights Share subscribed for;
(ii) the issuance of 346 new ordinary shares through the conversion of the Warrants at an issue price of RM0.22 per ordinary share; and
(iii) the issuance of 9,250,000 ordinary shares through the exercises of the Share Issuance Scheme ("SIS") Options at an exercise price of RM0.205.

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

There was no issuance of debentures during the financial year.

WARRANTS

The Warrants were constituted under the Deed Poll dated 23 November 2016 as disclosed in the Note 16(b) to the financial statements.

As at 31 December 2017, the total numbers of Warrants that remain unexercised were 133,332,785.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Share Issuance Scheme ("SIS").

At extraordinary general meeting held on 19 August 2016, the Company's shareholders approved the establishment of an SIS of not more than 30% of the issued share capital of the Company at any point of time throughout the duration of the SIS to eligible Directors and employees of the Group.

The SIS shall be in force for a period of 5 years from 27 February 2017 to 26 February 2022.

The salient features and other terms are disclosed in the Note 17 to the financial statements.

DIRECTORS

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

DIRECTORS' REPORT (continued)

DIRECTORS (CONT'D)

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

Asman Shah Bin Abd Rahman	
Ng Yau Loong	
Dato' Ng Ah Kow (alternative Director to Ng Yau Loong)	(appointed on 11.7.2017)
Masrah Binti Ahamad	(appointed on 11.7.2017)
Muhammad Sufian Bin Hussin (alternative Director to Masrah Binti Ahmad)	(appointed on 11.7.2017)
Shahril Anas Bin Hasan Aziz	(resigned on 11.7.2017)
Wan Amir – Jeffery Bin Wan Abdul Majid	(resigned on 11.7.2017)
Masrah Binti Ahamad (alternative Director to Wan Amir – Jeffery Bin Wan Abdul Majid)	(resigned on 11.7.2017)
Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir	(resigned on 11.7.2017)
Datin Mariani Binti Ahmad Nizaruddin	
Dato' Hj Aliasak Bin Hj Ambia	(resigned on 20.11.2017)

* *Director of the Company and its subsidiary companies*

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Interests in the Company:				
Direct interests				
Hon Tian Kok @ William	128,597,340	28,589,767	44,100,000	113,087,107
Dr. Nik Ismail Bin Nik Daud	–	500,000	–	500,000
Mohd Nasir Bin Abdullah	–	100,000	50,000	50,000
Ho Tze Hiung	133,333	567,967	701,300	–
Dato' Rosley Bin Samsuri	–	407,999	–	407,999
Indirect interests				
Hon Tian Kok @ William*	–	23,849,243	–	23,849,243

	Number of Options over ordinary shares			
	At 1.1.2017	**Granted**	**Exercised**	**At 31.12.2017**
Interests in the Company:				
Direct interests				
Tan Sri Dato' Abdul Rahman Bin Mamat	–	500,000	–	500,000
Hon Tian Kok @ William	–	4,000,000	–	4,000,000
Ho Tze Hiung	–	1,500,000	–	1,500,000
Dr. Nik Ismail Bin Nik Daud	–	500,000	500,000	–
Dato' Norhalim Bin Yunus	–	500,000	–	500,000
Dato' Rosely Bin Samsuri	–	500,000	400,000	100,000
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	500,000	–	500,000
Mohd Nasir Bin Abdullah	–	500,000	100,000	400,000

DIRECTORS' INTERESTS IN SHARES (CONT'D)

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: (Cont'd)

		Number of Warrants		
	At 1.1.2017	**Granted**	**Disposed**	**At 31.12.2017**
Interests in the Company:				
Direct interests				
Hon Tian Kok @ William	–	25,119,467	17,877,479	7,241,988

* *Deemed interest pursuant to Section 8 of the Companies Act, 2016 ("the Act") by virtue of his substantial shareholdings in WH Capital Sdn. Bhd.*

By virtue of his interests in the shares of the Company, Hon Tian Kok @ William and Ho Tze Hiung are 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 8 of the Companies Act, 2016.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 32(c) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

INDEMNITY AND INSURANCE COSTS

There was no indemnity given to or insurance effected for Directors, officers or auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

OTHER STATUTORY INFORMATION

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

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

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

DIRECTORS' REPORT (continued)

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

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

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

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

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

(d) In the opinion of Directors:

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

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

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

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 5 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are set out in Note 26 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 20 April 2018.

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

KUALA LUMPUR

STATEMENTS BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 76 to 153 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 20 April 2018.

HON TIAN KOK @ WILLIAM

HO TZE HIUNG

KUALA LUMPUR

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Hon Tian Kok @ William (MIA Membership No: 32907), 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 153 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 20 April 2018.)

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 AUDIT OF 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 2017 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 153.

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 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis 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
TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (continued)

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

Key Audit Matters (Cont'd)

Key audit matters	How we addressed the key audit matters
1. Goodwill impairment review As at 31 December 2017, 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
TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (continued)

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

Key Audit Matters (Cont'd)

Key audit matters	How we addressed the key audit matters
2. Assessment of carrying amount of development expenditure As at 31 December 2017, the carrying amount of development expenditure amounted to RM30,532,011. 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 during 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 TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (continued)

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

Key Audit Matters (Cont'd)

Key audit matters	How we addressed the key audit matters
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 2017. 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 arrangement 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.

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, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material 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.

INDEPENDENT **AUDITORS' REPORT** TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material 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 statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

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

UHY
Firm Number: AF 1411
Chartered Accountants

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

KUALA LUMPUR

20 April 2018

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	37,238,407	29,291,581	629	734
Investment in subsidiary companies	5		–	13,716,336	12,719,130
Goodwill on consolidation	6	5,334,030	5,334,030	–	–
Development expenditures	7	30,532,011	18,568,014	–	–
		73,104,448	53,193,625	13,716,965	12,719,864
Current Assets					
Biological assets	8	189,253	302,284	–	–
Inventories	9	7,590,088	7,946,530	–	–
Trade receivables	10	31,725,639	29,083,776	–	–
Other receivables	11	14,858,285	16,823,587	867,095	48,781
Amount due from subsidiary companies	12	–	–	53,746,760	39,095,056
Tax recoverable		624,861	565,633	99,000	–
Other investments	13	10,600	–	–	–
Fixed deposits with licensed banks	14	18,743,162	3,895,013	16,000,000	3,000,000
Cash and bank balances		6,971,555	2,034,595	980,352	105,562
		80,713,443	60,651,418	71,693,207	42,249,399
Total Assets		153,817,891	113,845,043	85,410,172	54,969,263

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (continued)

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
EQUITY					
Share capital	15	87,453,673	33,333,282	87,453,673	33,333,282
Reserves	16	47,981,991	64,657,418	(4,015,755)	21,546,891
Equity attributable to owners of the parent		135,435,664	97,990,700	83,437,918	54,880,173
Non-controlling interests		(803,158)	(594,890)	–	–
Total Equity		134,632,506	97,395,810	83,437,918	54,880,173
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	18	474,878	94,975	–	–
Bank borrowings	19	2,616,540	2,984,978	–	–
Deferred tax liabilities	20	4,057,259	2,342,940	–	–
		7,148,677	5,422,893	–	–
Current Liabilities					
Trade payables	21	4,879,106	3,722,721	–	–
Other payables	22	6,458,783	6,589,239	975,048	63,252
Amount due to a subsidiary company	12	–	–	997,206	20,000
Amount due to a Director	23	–	10,439	–	1,049
Finance lease liabilities	18	172,483	157,904	–	–
Bank borrowings	19	523,336	540,598	–	–
Tax payable		3,000	5,439	–	4,789
		12,036,708	11,026,340	1,972,254	89,090
Total Liabilities		19,185,385	16,449,233	1,972,254	89,090
Total Equity and Liabilities		153,817,891	113,845,043	85,410,172	54,969,263

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 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	24	55,917,339	47,122,537	1,444,050	648,000
Cost of sales		(33,884,429)	(27,623,763)	–	–
Gross profit		22,032,910	19,498,774	1,444,050	648,000
Other income		8,200,774	7,322,276	779,442	225,320
Administrative expenses		(20,670,144)	(18,915,354)	(3,210,887)	(1,609,578)
Finance costs	25	(188,816)	(168,989)	–	–
Profit/(Loss) before taxation	26	9,374,724	7,736,707	(987,395)	(736,258)
Taxation	27	(1,897,896)	187,509	(8,563)	(149,404)
Profit/(Loss) for the financial year		7,476,828	7,924,216	(995,958)	(885,662)
Other comprehensive income:					
Item that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		26,278	(27,184)	–	–
Total comprehensive income for the financial year		7,503,106	7,897,032	(995,958)	(885,662)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		7,864,983	8,488,811	(995,958)	(885,662)
Non-controlling interests		(388,155)	(564,595)	–	–
		7,476,828	7,924,216	(995,958)	(885,662)
Total comprehensive income attributable to:					
Owners of the parent		7,891,261	8,461,627	(995,958)	(885,662)
Non-controlling interests		(388,155)	(564,595)	–	–
		7,503,106	7,897,032	(995,958)	(885,662)
Basic (sen)	28	0.98	1.28		
Diluted (sen)	28	0.84	1.28		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to Owners of the Parent										
		Non- Distributable							Distributable			
Group	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	SIS Option Reserve RM	Merger Deficits RM	Foreign Currency Translation Reserve RM	Other 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		–	–	–	–	–	–	–	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:												
Share issued for acquisition a subsidiary company	15, 16	943,396	4,056,604	–	–	–	–	–	–	5,000,000	–	5,000,000
Issuance of ordinary shares	15, 16	885,948	4,961,309	–	–	–	–	–	–	5,847,257	–	5,847,257
Bonus issue	15, 16	8,333,282	(8,333,282)	–	–	–	–	–	–	–	–	–
Share issuance expenses	16	–	(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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

		Attributable to Owners of the Parent										
		Non- Distributable							Distributable			
Group	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	SIS Option Reserve RM	Merger Deficits RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2017		33,333,282	24,724,938	–	–	(4,969,130)	(27,184)	–	44,928,794	97,990,700	(594,890)	97,395,810
Profit/(Loss) for the financial year		–	–	–	–	–	–	–	7,864,983	7,864,983	(388,155)	7,476,828
Foreign exchange translation reserve		–	–	–	–	–	26,278	–	–	26,278	–	26,278
Total comprehensive income		–	–	–	–	–	26,278	–	7,864,983	7,891,261	(388,155)	7,503,106
Transactions with owners:												
Issuance of rights issue with detachable free Warrants	15, 16	6,666,657	19,999,969	16,853,307	–	–	–	(16,853,307)	–	26,666,626	–	26,666,626
Exercises of Warrants	15, 16	77	–	(44)	–	–	–	44	–	77	–	77
Share options granted under SIS	16	–	–	–	1,800,000	–	–	–	–	1,800,000	–	1,800,000
Exercises of SIS	15, 17	2,728,750	–	–	(832,500)	–	–	–	–	1,896,250	–	1,896,250
Dividends to owners of company		–	–	–	–	–	–	–	(809,250)	(809,250)	–	(809,250)
Net change of non-controlling interests		–	–	–	–	–	–	–	–	–	179,887	179,887
Total transactions with owners		9,395,484	19,999,969	16,853,263	967,500	–	–	(16,853,263)	(809,250)	29,553,703	179,887	29,733,590
Transfer in accordance with Section 618(2) of the Companies Act, 2016		44,724,907	(44,724,907)	–	–	–	–	–	–	–	–	–
At 31 December 2017		87,453,673	–	16,853,263	967,500	(4,969,130)	(906)	(16,853,263)	51,984,527	135,435,664	(803,158)	134,632,506

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

Company	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	SIS Option Reserve RM	Other Reserve RM	Accumulated Losses RM	Total Equity RM
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:								
Share issued for acquisition a subsidiary company	15, 16	943,396	4,056,604	–	–	–	–	5,000,000
Issuance of ordinary shares	15, 16	885,948	4,961,309	–	–	–	–	5,847,257
Bonus issue	15, 16	8,333,282	(8,333,282)	–	–	–	–	–
Share issuance expenses	16	–	(321,598)	–	–	–	–	(321,598)
Total transactions with owenrs		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
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

Company	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	SIS Option Reserve RM	Other Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2017		33,333,282	24,724,938	–	–	–	(3,178,047)	54,880,173
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	–	(995,958)	(995,958)
Transactions with owners								
Issuance of rights issue with detachable free Warrants	15, 16	6,666,657	19,999,969	16,853,307	–	(16,853,307)	–	26,666,626
Exercises of Warrants	15, 16	77	–	(44)	–	44	–	77
Share options granted under SIS	17	–	–	–	1,800,000	–	–	1,800,000
Exercises of SIS	15, 17	2,728,750	–	–	(832,500)	–	–	1,896,250
Dividends to owners of company		–	–	–	–	–	(809,250)	(809,250)
Total transactions with owenrs		9,395,484	19,999,969	16,853,263	967,500	(16,853,263)	(809,250)	29,553,703
Transfer in accordance with Section 618(2) of the Companies Act, 2016	15, 16	44,724,907	(44,724,907)	–	–	–	–	–
At 31 December 2017		87,453,673	–	16,853,263	967,500	(16,853,263)	(4,983,255)	83,437,918

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

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	9,374,724	7,736,707	(987,395)	(736,258)
Adjustments for:				
Amortisation of development expenditures	2,999,149	2,278,611	–	–
Amortisation of deferred capital grant	(428,032)	(428,030)	–	–
Amortisation of biological assets	–	69,754	–	–
Bad debts written off	1,006	41,770	–	–
Biological assets written off	302,283	–	–	–
Deposits written off	299	34,000	–	–
Depreciation of property, plant and equipment	4,390,017	3,767,253	105	105
Dividend income	–	–	(809,250)	–
Gain on disposal of property, plant and equipment	–	(60,879)	–	–
Grant income	(1,165,205)	(4,577,504)	–	–
Impairment losses on trade receivables	130,138	184,868	–	–
Impairment losses on other receivables	775	–	–	–
Share based payment	1,800,000	–	1,800,000	–
Finance costs	188,816	168,989	–	–
Interest income	(830,074)	(269,459)	(779,379)	(217,620)
Inventories written off	–	7,490	–	–
Property, plant and equipment written off	41,770	238,969	–	–
Reversal of impairment losses on trade receivables	(44,055)	(1,205)	–	–
Unrealised loss/(gain) on foreign exchange	1,363,425	(1,011,787)	–	–
Waiver of amount on trade payables	(15,353)	–	–	–
Waiver of deposit	–	(5,000)	–	–
Operating profit/(loss) before working capital changes	18,109,683	8,174,547	(775,919)	(953,773)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash Flows From Operating Activities					
Changes in working capital:					
Biological assets		(189,252)	(89,273)	–	–
Inventories		356,442	(408,358)	–	–
Trade receivables		(3,313,806)	(8,230,350)	–	–
Other receivables		2,996,181	(3,554,049)	(818,314)	(22,603)
Trade payables		1,171,738	(369,222)	–	–
Other payables		(508,135)	1,626,547	911,796	31,352
Subsidiary companies		–	–	(14,671,704)	(6,131,563)
A Director		(10,439)	(11,610)	(1,049)	–
		(502,729)	(11,036,315)	(14,579,271)	(6,122,814)
Cash generated from/ (used in) operations		18,612,412	(2,861,768)	(15,355,190)	(7,076,587)
Government grant received		1,165,205	4,577,504	–	–
Interest paid		(188,816)	(168,989)	–	–
Interest received		830,074	269,459	779,379	217,620
Tax refund		102,801	–	–	–
Tax paid		(348,035)	(318,498)	(112,352)	(158,843)
		1,561,229	4,359,476	667,027	58,777
Net cash from/(used in) operating activities		20,173,641	1,497,708	(14,688,163)	(7,017,810)
Cash Flows From Investing Activities					
Additional of development expenditures		(14,963,146)	(7,875,953)	–	–
Purchase of property, plant and equipment	4(e)	(11,112,253)	(4,436,247)	–	–
Placement of other investment		(10,600)	–	–	–
Proceeds from disposal of property, plant and equipment		–	70,657	–	–
Net cash inflows arising from acquisition of a subsidiary company		–	535,483	–	–
Deposits paid for purchase of property, plant and equipment		(1,710,224)	(1,978,277)	–	–
Net cash used in investing activities		(27,796,223)	(13,684,337)	–	–

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash Flows From Financing Activities				
Net changes on banker's acceptance	(3,000)	200,000	–	–
Dividends paid	–	(417,072)	–	(417,072)
Drawdown of term loans	–	935,680	–	–
Government grant received	–	1,400	–	–
Decreased in fixed deposits pledged and maturity more than 3 months	(8,018,419)	(19,522)	(8,000,000)	–
Proceeds from issue of share capital	28,562,953	5,847,257	28,562,953	5,847,257
Share issuance expenses	–	(321,598)	–	(321,598)
Repayment of finance lease liabilities	(221,518)	(156,103)	–	–
Repayment of term loans	(382,700)	(884,564)	–	–
Net cash from financing activities	19,937,316	5,185,478	20,562,953	5,108,587
Net increase/(decrease) in cash and cash equivalents	12,314,734	(7,001,151)	5,874,790	(1,909,223)
Effect of exchange translation differences	(548,044)	(69,612)	–	–
Cash and cash equivalents at the beginning 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	16,811,555	5,044,865	8,980,352	3,105,562
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances	6,971,555	2,034,595	980,352	105,562
Fixed deposits with licensed banks	18,743,162	3,895,013	16,000,000	3,000,000
	25,714,717	5,929,608	16,980,352	3,105,562
Less: Fixed deposits pledged with licensed banks	(903,162)	(884,743)	–	–
Less: Fixed deposits maturity more than 3 months	(8,000,000)	–	(8,000,000)	–
	16,811,555	5,044,865	8,980,352	3,105,562

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 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, 2016 in Malaysia.

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

Adoption of new and amended standards

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

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 –2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 30 to the financial statements. Other than that, the adoption of above amendments to MFRS did not have any significant impact on the financial statements of the Group and of the Company.

.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	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
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
▪ Amendments to MFRS 1		1 January 2018
▪ Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates or Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
▪ Amendments to MFRS 3		1 January 2019
▪ Amendments to MFRS 11		1 January 2019
▪ Amendments to MFRS 112		1 January 2019
▪ Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
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.*

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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:

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

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

(a) Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:
- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on its assessment, the financial assets held by the Group and the Company as at 31 December 2017 will be reclassified to the following classifications:

Group	2017 RM	Existing classification under MFRS 139	New classification under MFRS 9
Financial assets			
Trade receivables	31,725,639	L&R	AC
Other receivables	10,060,275	L&R	AC
Other investments	10,600	FVTPL	FVTPL
Fixed deposits with licensed banks	18,743,162	L&R	AC
Cash and bank balances	6,971,555	L&R	AC
Company			
Financial assets			
Other receivables	866,599	L&R	AC
Amounts due from subsidiary companies	53,746,760	L&R	AC
Fixed deposits with licensed banks	16,000,000	L&R	AC
Cash and bank balances	980,352	L&R	AC

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(i) *MFRS 9 Financial Instruments* (IFRS 9 issued by IASB in July 2014) *(Cont'd)*

(b) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, the Group and the Company have adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

(c) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to entity's own credit risk is recoded in other comprehensive income rather than in profit or loss, unless this create an accounting mismatch.

Based on the assessments undertaken to date, the Group and the Company do not expect the above new requirements to affect the classification and measurements of its financial assets and financial liabilities. On the ECL impact, the Group and the Company do not expect significant impact on the Group's financial statements.

(ii) 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.

The Group has assessed the impact of initial application of MFRS 15 on its businesses and does not expect significant impact on the Group's financial statements.

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

(iii) 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 Group and the Company are assessing the impact of the above new standard on the financial statements of the Group and of the Company in the year of initial adoption.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 3 to the financial statements.

(c) 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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting judgements, estimates and assumptions

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

Judgements

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:

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.

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.

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

Recoverability of development costs (Cont'd)

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.

Amortisation of biological assets

The biological assets have been stated at cost less accumulated amortisation and accumulated impairment losses if any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available. The carrying amount at the reporting date for biological assets is disclosed in Note 8.

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 and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables 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 of the Group' loan and receivables are disclosed in Notes 10 and 11 respectively to the financial statements.

Income taxes

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

The Group 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 2017, the Group and the Company have tax recoverable and payable of RM624,861 and RM3,000 (2016: RM565,633 and RM5,439) and RM99,000 and RMNil (2016: RMNil and RM4,789) respectively.

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

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 34(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial 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.

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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (Cont'd)

(ii) Foreign operations (Cont'd)

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.

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.

Bearer plants are defined as living plants that are used in the production or supply of agriculture produce and for which there is only a remote likelihood that the plant will also be sold as agriculture produce. Bearer plants (before maturity) representing various types of herbs nursery and immature plantations are measured at cost which consists of the costs incurred in the preparation of the nursery, purchase of seedlings and maintenance of the herbs plantation. Plantations are considered matured when it has reached ranges 4 months to 60 months of age after the initial field planting. Bearer plants (after maturity) are measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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 and immature bearer plants are not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation commences when the bearer plants or when 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
Freehold land and building	50 years
Buildings	50 years
Computer system and peripherals	5 to 10 years
Lab and office equipment, furniture and fittings	5 to 10 years
Signage and display items	5 to 10 years
Plant and machineries	5 to 10 years
Renovations	10 years
Infrastructure expenditures	10 years
Motor vehicles	5 years
Bearer plants	9 months to 15 years

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

(d) 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 costs of disposal 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 8 to 84 months after the initial field planting.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

As lessee

(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.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(i) Internally-generated intangible assets - research and development costs (Cont'd)

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) 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

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

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

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(ii) 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 losses. 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 and 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 or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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

(ii) Financial guarantee contracts

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw material comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on weighted average basis.

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 biological asset and 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of assets (Cont'd)

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 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 proceed received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

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

(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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial 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"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension scheme. 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.

(iii) Share-based Payment Transactions

Equity-settled Share-based Payment Transaction

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income taxes (Cont'd)

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.

(t) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(v) 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.

(w) 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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

4. PROPERTY, PLANT AND EQUIPMENT

Group	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	Plantation expendicture RM	Capital work-in-progress RM	Total RM
2017												
Cost												
At 1 January 2017	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
Additions	–	–	503,311	1,240,242	1,058,830	7,479,882	810,086	107,936	1,014,337	190,164	–	12,404,788
Written off	–	–	(5,244)	–	–	(93,000)	–	–	–	–	–	(98,244)
Exchange differences	–	–	(339)	(7,769)	–	(14,201)	(4,744)	–	–	–	–	(27,053)
Reclassification	–	–	–	–	–	–	–	–	2,523,712	–	(2,523,712)	–
At 31 December 2017	1,725,900	4,067,129	2,220,134	3,324,715	2,256,439	31,727,027	5,895,238	1,338,611	5,256,868	190,164	–	58,002,225
Accumulated depreciation												
At 1 January 2017	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
Charge for the financial year	34,974	70,924	107,420	275,711	341,331	2,710,600	503,737	123,011	222,309	–	–	4,390,017
Written off	–	–	(524)	–	–	(55,950)	–	–	–	–	–	(56,474)
Exchange differences	–	–	(18)	(265)	–	(429)	(166)	–	–	–	–	(878)
At 31 December 2017	122,214	324,840	1,447,933	1,536,175	1,040,146	12,031,373	2,717,966	675,715	867,456	–	–	20,763,818
Carrying amount												
At 31 December 2017	1,603,686	3,742,289	772,201	1,788,540	1,216,293	19,695,654	3,177,272	662,896	4,389,412	190,164	–	37,238,407

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

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

Group	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	and display items RM	Signage structure expenditures RM	Infra-work-in-progress RM	Capital Total RM
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
Disposals	–	–	(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
Disposals	–	–	(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

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

	Company	
	2017	**2016**
	RM	**RM**
Office Equipment		
Cost		
At 1 January/31 December	1,049	1,049
Accumulated depreciation		
At 1 January	315	210
Charge for the financial year	105	105
At 31 December	420	315
Carrying amount		
At 31 December	629	734

(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	
	2017	**2016**
	RM	**RM**
Freehold land and building	1,603,686	1,638,660

(b) The remaining lease period of the leasehold land and factory building is 88 years (2016: 89 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	
	2017	**2016**
	RM	**RM**
Plant and machineries	600,000	675,000

(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	
	2017	**2016**
	RM	**RM**
Motor vehicles	841,271	375,082

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

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

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

(e) Purchase of property, plant and equipment

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	
	2017 RM	**2016 RM**
Aggregate costs	12,404,788	4,436,247
Less: Reclassified from other receivables	(676,535)	–
Less: Finance leases financing	(616,000)	–
Cash payments	11,112,253	4,436,247

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2017 RM	**2016 RM**
In Malaysia:		
Unquoted shares, at cost	13,716,336	12,719,130

Details of the subsidiary companies are as follows:

Name of company	**Country of Incorporation**	**Effective Interest 2017 %**	**Effective Interest 2016 %**	**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, retailer or conduct advertising and promotion activities which related to health supplements and nutrition products
Bioalpha (HK) Limited * #	Hong Kong	100	100	Research and development, manufactures, importers, exporters, distribution and traders of nutritional and health supplement products

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 2017 %	Effective Interest 2016 %	Principal activities
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*
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	60	General trade, wholesale and retail trade of pharmaceutical and traditional medicine
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	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	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Ampang) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Management Sdn. Bhd.	Malaysia	100	100	Provision of management and consulting services, and trading of pharmaceutical, healthcare and nutrition products.
Mediconstant Pharmacy (Desa Tasik) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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 2017 %	Effective Interest 2016 %	Principal activities
Indirect holdings: **Held through Mediconstant Holding Sdn. Bhd.**				
Mediconstant Dynamic Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Klang) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Puchong) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Sea Park) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Setapak) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (Taman Desa) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals
Mediconstant Pharmacy (TTDI) Sdn. Bhd.	Malaysia	100	100	Pharmacy, druggists and chemicals

* *Subsidiary companies not audited by UHY*

\# *financial result of this newly incorporated subsidiary company have been consolidated using the management account for the 3 months financial period ended 31 December 2017, as the Directors are of the view that the result is immaterial to the Group.*

(a) Changes in group structure

During the financial year:

(i) On 24 August 2017, Bioalpha East Coast Agro Sdn. Bhd. ("BECA"), a wholly-owned subsidiary company of Bioalpha International Sdn. Bhd. ("BISB") has increased its issued and paid up share capital from RM2,700,000 to RM7,400,000 by the issuance of 4,700,000 ordinary shares by way of capitalisation of amount due to Bioalpha International Sdn. Bhd..

(ii) On 25 September 2017, the Company had incorporated a new wholly-owned subsidiary, Bioalpha (HK) Limited ("BHKL"), in Hong Kong with the issued share capital of HKD2,000,000.

The effect of acquisition above did not have any material effect on the financial result and position of the Group.

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Changes in group structure (Cont'd)

In previous financial year:

(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 ("PTHM") 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.

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 collectable.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Changes in group structure (Cont'd)

In previous financial year (Cont'd):

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.

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

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

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(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	
	2017 %	2016 %	2017 RM	2016 RM	2017 RM	2016 RM
Bioalpha Agro Sdn. Bhd. ("BASB")	28	28	(80,428)	(35,470)	(57,428)	23,000
Bioalpha (Johor Herbal) Sdn. Bhd. ("BJHSB")	49.6	49.6	(132,491)	(155,668)	(653,744)	(521,253)
Alphacare Sdn. Bhd. ("Alpha")	30	30	(42,376)	(353,784)	(366,307)	(323,931)
PT Herbal Malindo Makmur ("PTHM")	40	40	(132,860)	(19,673)	274,321	227,294
Total non-controlling interests			(388,155)	(564,595)	(803,158)	(594,890)

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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

(i) Summarised statements of financial position

	BASB RM	BJHSB RM	ALPHA RM	PTHM RM
2017				
Non-current assets	1,537,727	82,326	688,130	1,090,530
Current assets	1,299,380	31,905	115,705	378,997
Non-current liabilities	(213,182)	–	–	–
Current liabilities	(2,829,025)	(1,424,360)	(2,024,859)	(825,777)
Net liabilities	(205,100)	(1,310,129)	(1,221,024)	643,750
2016				
Non-current assets	962,889	98,718	432,470	227,911
Current assets	1,651,321	30,893	56,464	361,211
Non-current liabilities	(51,337)	–	–	–
Current liabilities	(2,480,731)	(1,172,621)	(1,568,704)	(20,886)
Net assets/(liabilities)	82,142	(1,043,010)	(1,079,770)	568,236

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

	BASB RM	BJHSB RM	ALPHA RM	PTHM RM
2017				
Revenue	733,900	56,265	–	–
Loss for the financial year, representing total comprehensive income for the financial year	(287,242)	(267,119)	(141,254)	(332,150)
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)	(94,033)

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	PTHM RM
2017				
Net cash from operating activities	630,722	1,437	354,387	234,654
Net cash used in investing activities	(602,643)	(1,020)	(343,694)	(506,974)
Net cash used in financing activities	(17,544)	–	–	–
Net increase/(decrease) in cash and cash equivalents	10,535	417	10,693	(272,320)
2016				
Net cash from/(used in) operating activities	317,968	106,412	51,762	(41,034)
Net cash used in investing activities	(324,065)	(95,621)	(60,000)	(234,006)
Net cash (used in)/from financing activities	(12,346)	–	–	617,419
Net (decrease)/increase in cash and cash equivalents	(18,443)	10,791	(8,238)	342,379

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

	Note	Group 2017 RM	Group 2016 RM
At 1 January		5,334,030	–
Acquisition through business combination	5	–	5,334,030
At 31 December		5,334,030	5,334,030

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (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% (2016: 10% to 16%); and

(iii) Pre-tax discount rate of 6.8% (2016: 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	
	2017 RM	**2016 RM**
Cost		
At 1 January	24,194,056	16,318,103
Additions	14,963,146	7,875,953
At 31 December	39,157,202	24,194,056
Accumulated amortisation		
At 1 January	5,626,042	3,347,431
Amortisation for the financial year	2,999,149	2,278,611
At 31 December	8,625,191	5,626,042
Carrying amount		
31 December	30,532,011	18,568,014

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.

8. BIOLOGICAL ASSETS

	Group	
	2017	**2016**
	RM	**RM**
Cost		
At 1 January	372,038	282,765
Addition	189,252	89,273
Written off	(372,037)	–
At 31 December	189,253	372,038
Accumulated amortisation		
At 1 January	69,754	–
Amortisation for the financial year	–	69,754
Written off	(69,754)	–
At 31 December	–	69,754
Carrying amount		
At 31 December	189,253	302,284

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 follows:

	Group	
	2017	**2016**
	RM	**RM**
Staff costs (Note 31)	106,374	–

As at 31 December 2017, the Group has 1003 acres (2016: 1003 acres) of herbal plantations.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

9. INVENTORIES

	Group 2017 RM	Group 2016 RM
At cost		
Raw materials	1,569,376	4,287,278
Consumables	649,041	123,575
Finished goods	5,371,671	3,535,677
	7,590,088	7,946,530
Recognised in profit or loss:		
Inventories recognised as cost of sales	32,296,193	18,481,944
Inventories written off	–	7,490

10. TRADE RECEIVABLES

	Group 2017 RM	Group 2016 RM
Trade receivables	32,220,167	29,492,221
Less: Accumulated impairment losses	(494,528)	(408,445)
	31,725,639	29,083,776

The Group's normal trade credit terms ranged from 30 to 180 days (2016: 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 2017 RM	Group 2016 RM
At 1 January	408,445	226,982
Impairment losses recognised	130,138	184,868
Acquisition through business combination	–	11,828
Reversal of impairment losses	(44,055)	(1,205)
Amount written off	–	(14,028)
At 31 December	494,528	408,445

10. TRADE RECEIVABLES (CONT'D)

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

	Group	
	2017 RM	**2016 RM**
Neither past due nor impaired	7,965,759	12,131,782
Past due but not impaired:		
Less than 30 days	1,265,965	6,062,149
31 to 60 days	933,397	2,137,935
61 to 90 days	9,454,776	3,658,924
More than 90 days	12,105,742	5,092,986
	23,759,880	16,951,994
	31,725,639	29,083,776
Impaired	494,528	408,445
	32,220,167	29,492,221

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 2017, trade receivables of RM23,759,880 (2016: RM16,951,994) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables of the Group that are individually assessed to be impaired amounting to RM494,528 (2016: RM408,445), related to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

Credit risk concentration profile

The Group has significant concentrations of credit risk arising from 8 (2016: 11) major customers that represent approximately 53% (2016: 79%) of the gross trade receivables balance at the end of the reporting period.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

11. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	6,322,019	10,454,858	57,349	48,781
Deposits	3,743,733	2,784,727	–	–
Prepayments	4,681,212	3,523,864	–	–
Dividend receivable	–	–	809,250	–
GST recoverable	116,798	64,840	496	–
	14,863,762	16,828,289	867,095	48,781
Less: Accumulated impairment losses	(5,477)	(4,702)	–	–
	14,858,285	16,823,587	867,095	48,781

(a) Included in the deposits of the Group amounting to RM3,011,966 (2016: RM1,978,277) are paid for purchases of property, plant and equipment

(b) Included in the prepayments of the Group amounting to RM2,342,658 (2016: RM2,342,658) is paid for purchases of property, plant and equipment.

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

	Group	
	2017 RM	2016 RM
At 1 January	4,702	–
Acquisition through business combination	–	4,702
Impairment losses recognised	775	–
At 31 December	5,477	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.

12. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

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

13. OTHER INVESTMENTS

	Group 2017 RM	Group 2016 RM
Current		
Financial assets at fair value through profit or loss:		
- Unquoted money market fund	10,600	–

14. FIXED DEPOSITS WITH LICENSED BANKS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Fixed deposits with licensed banks				
Maturity:				
- less than 3 months	9,840,000	3,010,270	8,000,000	3,000,000
- more than 3 months	8,000,000	–	8,000,000	–
Fixed deposits pledged with licensed banks	903,162	884,743	–	–
	18,743,162	3,895,013	16,000,000	3,000,000

The interest rates of fixed deposits of the Group and of the Company range from 2.75% to 3.90% (2016: 3.12% to 4.20%) per annum and 3.40% to 3.95% (2016: 3.50% to 4.20%) per annum respectively. The maturities of deposits of the Group and of the Company range from 30 to 365 days (2016: 30 to 365 days).

The fixed deposits with licensed banks of the Group amounted to RM603,162 (2016: RM584,743) and RM300,000 (2016: 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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

15. SHARE CAPITAL

	Group and Company			
	← Number of Shares →		← Amount →	
	2017 Units	2016 Units	2017 RM	2016 RM
Ordinary shares				
Authorised				
At 1 January	2,000,000,000	500,000,000	100,000,000	25,000,000
Created during the financial year	–	1,500,000,000	–	75,000,000
Abolishment of the concept of authorised share capital on 31 January 2017	(2,000,000,000)	–	(100,000,000)	–
At 31 December	–	2,000,000,000	–	100,000,000
Issued and fully paid shares				
At 1 January	666,665,655	463,413,114	33,333,282	23,170,656
Issue of ordinary shares:				
- 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
- Right issues	133,333,131	–	6,666,657	–
Exercise of share options	9,250,000	–	2,728,750	–
Exercise of warrants	346	–	77	–
Transfer in accordance with Section 618(2) of the Companies Act, 2016	–	–	44,724,907	–
At 31 December	809,249,132	666,665,655	87,453,673	33,333,282

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

During the financial year, the number of issued and paid-up ordinary shares of the Company was increased as follows:

(i) Renounceable Rights Issue of 133,333,131 new ordinary shares ("Rights Shares") at an issue price of RM0.20 per Rights Share, together with 133,333,131 free detachable Warrants on the basis of one (1) Rights Share for every five (5) existing ordinary shares held with one (1) Warrants for every one (1) Rights Share subscribed for;

(ii) the issuance of 346 new ordinary shares through the conversion of the Warrants at an issue price of RM0.22 per ordinary share; and

(iii) the issuance of 9,250,000 ordinary shares through the exercises of the Share Issuance Scheme ("SIS") Options at an exercise price of RM0.205.

15. SHARE CAPITAL (CONT'D)

In previous 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.

In previous financial year, the Company issued:

(i) 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;
(ii) 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; and
(iii) 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 all respects with the existing ordinary shares of the Company.

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

16. RESERVES

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Share premium	(a)	–	24,724,938	–	24,724,938
Warrant reserve	(b)	16,853,263	–	16,853,263	–
Other reserve	(c)	(16,853,263)	–	(16,853,263)	–
Share Issuance Scheme Option reserve	(d)	967,500	–	967,500	–
Merger deficits	(e)	(4,969,130)	(4,969,130)	–	–
Foreign currency translation reserve	(f)	(906)	(27,184)	–	–
Retained earnings/ (Accumulated losses)		51,984,527	44,928,794	(4,983,255)	(3,178,047)
		47,981,991	64,657,418	(4,015,755)	21,546,891

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

16. RESERVES (CONT'D)

(a) Share premium

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Non-distributable:				
At 1 January	24,724,938	24,361,905	24,724,938	24,361,905
Premium from				
- 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)	–	(321,598)
- Right issues	19,999,969	–	19,999,969	–
Transfer to share premium in accordance with Section 618(2) of the Companies Act, 2016	(44,724,907)	–	(44,724,907)	–
At 31 December	–	24,724,938	–	24,724,938

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618(2) of the new Companies Act 2016 (the "Act"), on 31 January 2017, the amounts standing to the credit of the share premium account become part of the Company's share capital (Note 15). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM44,724,907 for purposes as set out in Sections 618(3) to pay up the unissued shares and for the bonus issue pursuant to Section 618(4) of the Act.

(b) Warrant reserve

Warrants reserve represents reserve allocated to free detachable warrants issued with rights issue.

During the financial year ended 31 December 2017, the Company issued renounceable rights issue of up to 133,333,131 new ordinary shares ("Rights Shares") together with up to 133,333,131 free detachable warrants ("Warrants") on the basis of one (1) Rights Share together with one (1) Warrant for every one (1) existing Rights Share held.

The Company executed a Deed Poll constituting the Warrants and the exercise price of the Warrants have been fixed at RM0.22 each. The Warrants may be exercised at any time within 5 years commencing on and including the date of issuance and expiring on 22 November 2021. Any Warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The new ordinary shares allotted and issued upon exercise of the Warrants shall rank pari passu in all respects with the then existing ordinary shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares arising from exercise of the Warrants.

As at 31 December 2017, the total number of Warrants that remain unexercised were 133,332,785 (2016: Nil).

16. RESERVES (CONT'D)

(c) Other reserve

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 16(b).

(d) Share Issuance Scheme Option reserve

Share Issuance Scheme option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. Share Issuance Scheme option is disclosed in Note 17.

(e) Merger deficits

The merger deficits created during the listing and quotation exercise of the Company's share on the ACE Market of Bursa Malaysia Securities Berhad in 2015, where the Company acquire of Bioalpha International Sdn. Bhd. and its subsidiary companies, Bioalpha R&D Sdn. Bhd. and Botanical Distribution Sdn. Bhd. that are under common control, as follow:

	Group	
	2017 RM	**2016 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

(f) 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.

17. SHARE ISSUANCE SCHEME ("SIS")

At an extraordinary general meeting held on 19 August 2016, the Company's shareholders approved the establishment of SIS for eligible Directors and employees of the Group.

The salient features of the SIS Options are as follows:

(a) any employee of the Group shall be eligible if as at the date of offer, the employee:

- (i) has attained at least eighteen (18) years of age;
- (ii) is an employee in a company within the Group, which is not dormant belonging to such categories of employment as determined by the Option Committee; and
- (iii) who falls under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.

(b) any Director of the Group shall be eligible if as at the date of offer, the Director:

- (i) is at least eighteen (18) years of age; and
- (ii) has been appointed as a Director of a company within the Group, which is not dormant.

(c) The maximum number of new shares to be issued pursuant to the exercise of the SIS Options which may be granted under the SIS Shares shall not exceed thirty percent (30%) of the total issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the SIS;

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

17. SHARE ISSUANCE SCHEME ("SIS") (CONT'D)

The salient features of the SIS Options are as follows: (Cont'd)

(d) The options granted may be exercised any time upon the satisfaction of vesting conditions of each offer.

(e) The SIS shall be in force for a period of five (5) years and the last day to exercise SIS Options is on 26 February 2022.

(f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

Movement in the number of share options and the weighted average exercise prices are as follows:

Date of Offer	Exercise Price RM	At 1.1.2017	Number of options over ordinary shares Granted	Exercised	At 31.12.2017
27 February 2017	0.205	–	20,000,000	(9,250,000)	10,750,000

Number of share options exercisable as at 31 December 2017 is 9,250,000 (2016: Nil). The weighted average share price at the date of exercise for the financial year was RM0.227 (2016: RMNil) per share option.

Details of SIS Options outstanding at end of the financial year are as follows:

SIS Options	Weighted Average Exercise Price 2017 RM	2016 RM	Exercise Period
27 February 2017	0.205	–	27.02.2017 - 26.02.2022

The fair value of services received in return for share options granted during the financial year is based on the fair value of share options granted, estimated by the management using Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The weighted average fair value of share options measured at grant date and the assumptions are as follow:

	2017 RM	2016 RM
Fair value at granted date: 27 Febuary 2017	0.0909	–
Weighted average share price	0.227	–
Weighted average exercise price	0.205	–
Expected volatility (%)	34.74%	–
Expected life (years)	5 years	–
Risk free rate (%)	3.698	–
Expected dividend yield (%)	Nil	–

The expected life of the share options is based on historical data, has been adjusted according to management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting the market conditions attached to the option), and behavioural considerations. The expected volatility is based on the historical share price volatility, adjusted for unusual or extraordinary volatility arising from certain economic or business occurrences which is not reflective of its long term average level. While the expected volatility is assumed to be indicative of future trends, it may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

18. FINANCE LEASE LIABILITIES

	Group	
	2017	**2016**
	RM	**RM**
Minimum lease payments:		
Within one year	198,049	169,274
Later than one year and not later than two years	167,473	66,389
Later than two years and not later than five years	343,340	32,868
	708,862	268,531
Less: Future finance charges	(61,501)	(15,652)
Present value of minimum finance lease payments	647,361	252,879
Present value of minimum finance lease payments		
Within one year	172,483	157,904
Later than one year and not later than two years	149,502	63,195
Later than two years and not later than five years	325,376	31,780
	647,361	252,879
Analysed as:		
Repayable within twelve months	172,483	157,904
Repayable after twelve months	474,878	94,975
	647,361	252,879

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 2.41% to 4.66% (2016: 2.54% to 4.05%) per annum.

19. BANK BORROWINGS

	Group	
	2017	**2016**
	RM	**RM**
Current		
Secured		
Banker's acceptances	197,000	200,000
Term loans	326,336	340,598
	523,336	540,598
Non-Current		
Secured		
Term loans	2,616,540	2,984,978
	3,139,876	3,525,576

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

19. BANK BORROWINGS (CONT'D)

The above credit facilities obtained from licensed 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 4(c);
(ii) charge on fixed deposits with licensed banks of the Group as disclosed in Note 14;
(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:

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

	Group	
	2017	**2016**
	%	**%**
Banker's acceptances	5.51	5.51
Term loans	4.75-5.00	4.88

	Group	
	2017	**2016**
	RM	**RM**
Within one year	523,336	540,598
Later than one year but not later than two years	376,622	357,903
Later than two years but not later than five years	1,214,685	1,186,551
Later than five years	1,025,233	1,440,524
	3,139,876	3,525,576

20. DEFERRED TAX LIABILITIES

	Group	
	2017	**2016**
	RM	**RM**
At 1 January	2,342,940	2,645,605
Recognised in profit or loss	1,714,319	(312,973)
Acquisition through business combination	–	10,308
At 31 December	4,057,259	2,342,940

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

20. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax liabilities	8,852,422	5,286,731	76	–
Deferred tax assets	(4,795,163)	(2,943,791)	(76)	–
	4,057,259	2,342,940	–	–

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 2017	1,132,494	4,154,237	5,286,731
Recognised in profit or loss	642,185	2,923,506	3,565,691
At 31 December 2017	1,774,679	7,077,743	8,852,422
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

Deferred tax assets of the Group:

	Unused tax losses RM	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Other temporary differences RM	Total RM
At 1 January 2017	(614,346)	(906,777)	(1,422,668)	–	(2,943,791)
Recognised in profit or loss	(703,676)	(1,096,937)	(42,207)	(8,552)	(1,851,372)
At 31 December 2017	(1,318,022)	(2,003,714)	(1,464,875)	(8,552)	(4,795,163)
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)

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

20. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM
At 1 January 2016 and 31 December 2016/1 January 2017	–
Recognised in profit or loss	76
At 31 December 2017	76

Deferred tax assets of the Company:

	Unused tax losses RM	Unutilised capital allowance RM	Total RM
At 1 January 2016 and 31 December 2016/1 January 2017	–	–	–
Recognised in profit or loss	(51)	(25)	(76)
At 31 December 2017	(51)	(25)	(76)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unused tax losses	10,855,263	9,516,656	1,377,386	–
Unutilised capital allowances	1,165,033	900,040	–	–
	12,020,296	10,416,696	1,377,386	–

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 (2016: 30 to 90 days) depending on the terms of the contracts.

22. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	2,266,065	1,851,093	69,866	38,252
Deposits	321,513	585,867	–	–
Dividend payables	809,250	–	809,250	–
Deferred capital grant	2,309,085	2,737,117	–	–
Accruals	680,927	1,415,162	95,932	25,000
GST payables	71,943	–	–	–
	6,458,783	6,589,239	975,048	63,252

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.

The movement of the deferred capital grant is as follows:

	Group	
	2017 RM	2016 RM
At 1 January	2,737,117	3,163,747
Grant received during the financial year	–	1,400
Amortised during the financial year	(428,032)	(428,030)
At 31 December	2,309,085	2,737,117

23. AMOUNT DUE TO A DIRECTOR

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

24. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods	55,917,339	47,122,537	–	–
Dividend income	–	–	809,250	–
Management fee	–	–	634,800	648,000
	55,917,339	47,122,537	1,444,050	648,000

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

25. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest expenses on:		
- Bank overdraft	7,141	31,320
- Banker's acceptances	7,289	10,632
- Term loans	61,410	103,445
- Finance leases	112,976	19,109
- Others	–	4,483
	188,816	168,989

26. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
- current year	179,278	127,060	45,000	30,000
- over provision in prior years	20,699	(10,312)	5,000	(1,000)
- others	30,000	68,000	30,000	68,000
Amortisation of development expenditures	2,999,149	2,278,611	–	–
Amortisation of biological assets	–	69,754	–	–
Bad debts written off	1,006	41,770	–	–
Biological asset written off	302,283	–	–	–
Depreciation of property, plant and equipment	4,390,017	3,767,253	105	105
Deposits written off	299	34,000	–	–
Non-executive Directors' remuneration:				
- fee	307,200	180,140	271,200	180,140
- salaries and other emoluments	40,600	32,000	40,600	30,000
- share based payment	270,000	–	270,000	–
Gain on disposal of property, plant and equipment	–	(60,879)	–	–
Corporate exercise	595,350	–	595,350	–
Loss/(Gain) on foreign exchange:				
- realised	(171,165)	(134,153)	–	–
- unrealised	1,363,425	(1,011,787)	–	–
Grant income	(1,593,237)	(5,005,534)	–	–
Impairment losses on				
- trade receivables	130,138	184,868	–	–
- other receivables	775	–	–	–
Interest income	(830,074)	(269,459)	(779,379)	(217,620)
Inventories written off	–	7,490	–	–
Property, plant and equipment written off	41,770	238,969	–	–
Management fee	20,000	–	–	–

26. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Rental income	(37,583)	(119,831)	–	–
Rental of equipment	3,410	8,011	–	–
Rental of premises	1,149,105	1,115,321	–	–
Rental of motor vehicle	2,550	–	–	–
Reversal of impairment losses on trade receivables	(44,055)	(1,205)	–	–
Waiver of amount due to trade payables	(15,353)	–	–	–
Waiver of deposit	–	(5,000)	–	–

27. TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax expenses recognised in profit or loss				
Malaysian statutory tax:				
- Current tax provision	137,270	79,138	–	54,414
- Underprovision in prior years	46,307	46,326	8,563	94,990
	183,577	125,464	8,563	149,404
Deferred tax:				
- Origination and reversal of temporary differences	1,731,462	221,531	–	–
- Over provision in prior years	(17,143)	(534,504)	–	–
	1,714,319	(312,973)	–	–
	1,897,896	(187,509)	8,563	149,404

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) 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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

27. TAXATION (CONT'D)

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	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Profit/(Loss) before taxation	9,374,724	7,736,707	(987,395)	(736,258)
At Malaysian statutory tax rate of 24% (2016: 24%)	2,249,934	1,856,810	(236,975)	(176,702)
Expenses not deductible for tax purposes	1,462,804	1,880,137	100,622	231,116
Income exempted under BioNexus status	(1,562,828)	(2,972,973)	–	–
Income not subject to tax	(666,042)	(1,329,679)	(194,220)	–
Deferred tax assets not recognised	384,864	866,374	330,573	–
Underprovision of income tax in prior years	46,307	46,326	8,563	94,990
Over provision of deferred tax in prior years	(17,143)	(534,504)	–	–
	1,897,896	(187,509)	8,563	149,404

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 2017 RM	Group 2016 RM
Profit attributable to owners of the parent	7,864,983	8,488,811
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	666,665,655	463,413,114
Effect of ordinary shares issued during the financial year	136,971,079	33,522,528
Effect of bonus shares issued	–	166,665,655
Weighted average number of ordinary shares at 31 December	803,636,734	663,601,297
Basic earnings per ordinary shares (in sen)	0.98	1.28

(b) Diluted earnings per share

The diluted earnings per share has been calculated based on the adjusted consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group 2017 RM	Group 2016 RM
Profit attributable to owners of the parent	7,864,983	8,488,811
Weighted average number of ordinary shares used in the calculation of basic earnings per share	803,636,734	663,601,297
Adjustment for incremental shares from assumed conversions		
- Share Issuance Scheme options	9,025,597	–
- Warrants	120,136,025	-
Weighted average number of ordinary shares at 31 December (diluted)	932,798,356	663,601,297
Diluted earnings per ordinary shares (in sen)	0.84	1.28

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

29. DIVIDENDS

	Group and Company	
	2017 RM	2016 RM
Interim dividends paid in respect of the financial year ended:		
- 31 December 2017 (single-tier dividend of RM0.001 per ordinary share	809,250	–

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

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 January 2017 RM	Additions RM	Repayment RM	Dividends declared RM	At 31 December 2017 RM
Group					
Finance lease liabilities (Note 18)	252,879	616,000	(221,518)	–	647,361
Term loan (Note 19)	3,325,576	–	(382,700)	–	2,942,876
Bankers' acceptance	200,000	–	(3,000)	–	197,000
Dividend payable	–	–	–	809,250	809,250
	3,778,455	616,000	(607,218)	809,250	4,596,487

31. STAFF COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fee	–	148,500	–	148,500
Salaries, wages and other emoluments	6,209,270	6,267,854	5,200	192,000
Defined contribution plan	720,328	669,843	–	–
Share based payment	1,530,000	–	1,530,000	–
Other benefits	223,737	307,432	–	12,500
	8,683,335	7,393,629	1,535,200	353,000
Less: Capitalised into biological assets (Note 8)	(106,374)	–	–	–
	8,576,961	7,393,629	1,535,200	353,000

31. STAFF COSTS (CONT'D)

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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Executive Directors				
Fee	–	148,500	–	148,500
Salaries and other emoluments	552,857	820,490	5,200	204,500
Defined contribution plan	52,560	52,560	–	–
Share based payment	495,000	–	495,000	–
	1,100,417	1,021,550	500,200	353,000

32. 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:

	Company	
	2017	**2016**
	RM	**RM**
Transactions with subsidiary companies		
- Management fee received/receivable	634,800	648,000
- Dividend income	809,250	–

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

32. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Fee	307,200	328,640	271,200	328,640
Salaries and other emoluments	1,669,276	3,622,052	45,800	234,500
Defined contribution plan	178,140	151,776	–	–
Share based payment	1,323,000	–	765,000	–
	3,477,616	4,102,468	1,082,000	563,140

33. SEGMENT INFORMATION

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

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.

33. SEGMENT INFORMATION (CONT'D)

	Trading and manufacturing RM	Retail Pharmacy RM	Others RM	Total Segments RM	Adjustments and eliminations RM	Note	Consolidated RM
2017							
External customers	36,535,187	19,382,152	–	55,917,339	–		55,917,339
Inter-segment	3,341,736	7,919,701	1,444,050	12,705,487	(12,705,487)		–
Total revenue	39,876,923	27,301,853	1,444,050	68,622,826	(12,705,487)		55,917,339
Results							
Interest income	50,576	(119)	(779,379)	830,074	–		830,074
Finance costs	(119,927)	68,889	–	(188,816)	–		(188,816)
Depreciation and amortisation	(7,141,087)	247,974	105	(7,389,166)	–		(7,389,166)
Other non-cash items	(1,365,432)	13,176	(1,800,000)	(3,152,256)	–	(A)	(3,152,256)
Segment profit/(loss)	10,745,456	299,617	(987,395)	10,057,678	(2,580,850)		7,476,828
Segment assets	185,005,350	14,687,040	84,462,965	284,155,355	(130,337,464)		153,817,891
Segment liabilities	109,447,797	11,931,157	1,025,048	122,404,002	(103,218,617)		19,185,385
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	1,320,130	(312,836)	–	1,007,294	–	(A)	1,007,294
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
Segment assets	143,567,913	9,101,545	54,969,263	207,638,721	(93,793,678)		113,845,043
Segment liabilities	81,310,693	11,602,412	89,090	93,002,195	(76,552,962)		16,449,233

33. 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	
	2017 RM	**2016 RM**
Other non-cash items:		
Bad debts written off	(1,006)	(41,770)
Biological assets written off	(302,283)	–
Impairment losses on trade receivables	(130,138)	(184,868)
Impairment losses on other receivables	(775)	–
Reversal of impairment losses on trade receivables	44,055	1,205
Deposits written off	(299)	(34,000)
Gain on disposal of property, plant and equipment	–	60,879
Property, plant and equipment written off	(41,770)	(238,969)
Unrealised gain on foreign exchange	(1,363,425)	1,011,787
Waiver of amount on trade payables	15,353	–
Waiver of deposit	–	5,000
Grant income	1,593,237	5,005,534
Share based payment	1,800,000	–
	1,687,049	5,584,798

Geographic information

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

	Group	
	2017 RM	**2016 RM**
Malaysia	29,877,421	20,609,625
Indonesia	13,521,420	13,517,737
China	12,518,499	12,995,175
	55,917,339	47,122,537

Major customers

Revenue from Nil (2016: 5) major customers amounting to RMNil (2016: RM23,202,079), arising from Group's revenue.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

34. 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	Fair value through profit or loss RM	Total RM
Group				
2017				
Financial Assets				
Trade receivables	31,725,639	–	–	31,725,639
Other receivables	10,060,275	–	–	10,060,275
Other investments	–	–	10,600	10,600
Fixed deposits with licensed banks	18,743,162	–	–	18,743,162
Cash and bank balances	6,971,555	–	–	6,971,555
	67,500,631	–	10,600	67,511,231
Financial Liabilities				
Trade payables	–	4,879,106	–	4,879,106
Other payables	–	4,077,755	–	4,077,755
Finance lease liabilities	–	647,361	–	647,361
Bank borrowings	–	3,139,876	–	3,139,876
	–	12,744,098	–	12,744,098
2016				
Financial Assets				
Trade receivables	29,083,776	–	–	29,083,776
Other receivables	13,234,883	–	–	13,234,883
Fixed deposits with licensed banks	3,895,013	–	–	3,895,013
Cash and bank balances	2,034,595	–	–	2,034,595
	48,248,267	–	–	48,248,267
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
31 DECEMBER 2017 (continued)

34. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Fair value through profit or loss RM	Total RM
Company				
2017				
Financial Assets				
Other receivables	866,599	–	–	866,599
Amount due from subsidiary companies	53,746,760	–	–	53,746,760
Fixed deposits with licensed banks	16,000,000	–	–	16,000,000
Cash and bank balances	980,352	–	–	980,352
	71,593,711	–	–	71,593,711
Financial Liabilities				
Other payables	–	975,048	–	975,048
Amount due to a subsidiary company	–	997,206	–	997,206
	–	1,972,254	1,049	1,972,254
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
Amounts due to a Director	–	1,049	–	1,049
	–	84,301	–	84,301

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objective and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency 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 licensed financial institutions 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.

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 RM1,648,313 (2016: RM1,983,103), representing the outstanding banking facilities to a subsidiary company 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.

(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.

34. 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						
2017						
Non-derivative financial liabilities						
Trade payables	4,879,106	–	–	–	4,879,106	4,879,106
Other payables	4,077,755	–	–	–	4,077,755	4,077,755
Finance lease liabilities	198,049	167,473	343,340	–	708,862	647,361
Bank borrowings	463,628	495,838	1,455,305	1,909,237	4,324,008	3,139,876
	9,618,538	663,311	1,798,645	1,909,237	13,989,731	12,744,098
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

34. 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			
2017			
Non-derivative financial liabilities			
Other payables	975,048	975,048	975,048
Amount due to a subsidiary company	997,206	997,206	997,206
	1,972,254	1,972,254	1,972,254
2016			
Non-derivative financial liabilities			
Other payables	63,252	63,252	63,252
Amount due 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

(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") and Singapore Dollar ("SGD").

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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

(i) Foreign currency risk (Cont'd)

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

	Denominated in USD RM	Denominated in SGD RM
Group		
2017		
Trade receivables	27,533,779	–
Cash and bank balances	1,948,094	30,590
	29,481,873	30,590
2016		
Trade receivables	25,421,973	–
Other receivables	6,925,456	–
Cash and bank balances	1,197,888	–
	33,545,317	–

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.

	2017 Change in currency rate	2017 Effect on profit before tax RM	2016 Change in currency rate	2016 Effect on profit before tax RM
USD	Strengthend 10%	2,948,187	Strengthend 10%	3,354,532
	Weakend 10%	(2,948,187)	Weakend 10%	(3,354,532)
SGD	Strengthend 10%	3,059	Strengthend 10%	–
	Weakend 10%	(3,059)	Weakend 10%	–

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

(ii) Interest rate risk

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

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

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

The 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed rate instruments				
Financial asset:				
Fixed deposits with licensed banks	18,743,162	3,895,013	16,000,000	3,000,000
Financial liabilities:				
Banker's acceptance	197,000	200,000	–	–
Finance lease liabilities	647,361	252,879	–	–
Term loan	1,648,313	1,983,103	–	–
	2,492,674	2,435,982	–	–
Floating rate instruments				
Financial liabilities:				
Term loans	1,294,563	1,342,473	–	–

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

34. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risks (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased /(decreased) the Group' profit before tax by RM12,946 (2016: RM13,425) 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			
	Level 1 RM	Level 2 RM	Level 3 RM	Carrying amount RM
Group				
2017				
Financial liabilities				
Finance lease liabilities	–	595,820	–	474,878
Term loan	–	1,280,072	–	1,648,313
	–	1,875,892	–	2,123,191
2016				
Financial liabilities				
Finance lease liabilities	–	92,328	–	94,975
Term loans	–	1,576,363	–	1,983,103
	–	1,668,691	–	2,078,078

34. FINANCIAL INSTRUMENTS (CONT'D)

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

(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).

<u>Non-derivative financial instruments</u>

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.

35. CAPITAL COMMITMENT

	Group	
	2017 RM	**2016 RM**
Authorised and contracted for		
Purchase of property, plant and equipment	4,500,000	4,500,000

36. CONTINGENT LIABILITIES

	Group	
	2017 RM	**2016 RM**
Unsecured		
Performance bonds in relation to the management of the Herbal Integrated Cluster Development	402,000	200,000

	Company	
	2017 RM	**2016 RM**
Unsecured		
Corporate guarantees given to the licensed financial institution for credit facility granted to a subsidiary company	1,648,313	1,983,103

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (continued)

37. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Total loans and borrowings	3,787,237	3,778,455	–	–
Less: Deposit, bank and cash balances	(25,714,717)	(5,929,608)	(16,980,352)	(3,105,562)
Net debt	(21,927,480)	(2,151,153)	(16,980,352)	(3,105,562)
Total equity	135,435,664	97,990,700	83,437,918	54,880,173
Gearing ratio (%)	*	*	*	*

* Gearing ratio not applicable for financial years ended 31 December 2017 and 31 December 2016 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.

38. 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 20 April 2018.

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 2017 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	3,742	March 10, 2013	88 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	1,604	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	63,500 per annum [4]	07.04.2014 to 06.04.2044

PROPERTIES
(continued)

LEASED (CONT'D)

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 5140 H.S.(D) 34765, Mukim Pantai Timur, Daerah Kota Tinggi, Johor	Agricultural land for cultivation and farming of herbal and non-herbal plants	300 acres	(3)	(3)
BJHSB	Thung Wan Ee	2 storey shoplot No. 93 & 93-01, Jalan Kempas 1, Taman Desaru Utama, 81930 Bandar Penawar, Johor.	Centre of collection, packaging, and processing and also office meeting.	1,540 sq ft	RM 4000	1 May 2018 to 30 April 2020
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	01.02.2017 to 31.01.2019
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	Mr Ng Seng Kuon	33, Jalan 45A/26, Taman Sri Rampai, Setapak, 53300 Kuala Lumpur	One (1) unit of shop lot for retail pharmacy	1,540 sq. ft.	4,200 per month	01.04.2017 to 31.05.2019
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	01.07.2018 to 30.06.2020
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.	3,500 per month	01.07.2018 to 30.06.2021
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	01.05.2017 to 30.04.2018
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	01.10.2017 to 30.09.2018
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

PROPERTIES
(continued)

LEASED (CONT'D)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
Mediconstant Pharmacy Sdn Bhd	Amp Development Sdn Bhd	Desa Tasik 24, Jalan Tasik Selatan 20C/146, Taman Desa Tasik, Sungai Besi, 57000 Wilayah Persekutuan Malaysia	One (1) unit of shop lot for retail pharmacy	6,100 sq ft	9,400 per month	01.01.2017 to 31.12.2018
Mediconstant Pharmacy Sdn Bhd	Ong Choy Sia Ong Choy Nee Ong Choi Leng	Pusat Perdagangan Puchong Prima, F-01-04, Blok F, Jalan prima 5/3, Taman Puchong Prima 47100 Selangor Malaysia	Two (2) unit of shop lot for retail pharmacy	2,100 sq ft	5,900 per month	01.06.2016 to 31.05.2020

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 Kota Tinggi 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 and 879.7 acres under phase 2.

ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 MARCH 2018

SHARE CAPITAL

Total Number of Issued Shares	:	809,499,132
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2018

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of Issued Share Capital
Less than 100	371	6.14	17,974	0.00
100 - 1,000	249	4.13	133,543	0.02
1,001 - 10,000	1442	23.88	9,594,255	1.18
10,001 - 100,000	3245	53.74	128,860,082	15.92
100,001 - 40,474,955 *	728	12.06	406,949,153	50.27
40,474,956 AND ABOVE **	3	0.05	263,944,125	32.61
Total	6,038	100.00	809,499,132	100.00

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

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued capital) based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows: -

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Hon Tian Kok @ William	113,400,000	14.01	24,300,000*	3.00*
2	Perbadanan Nasional Berhad	113,223,104	13.99	–	–
3	Malaysian Technology Development Corporation Sdn Bhd	107,203,892	13.24	–	–

* Deemed interest through WH Capital Sdn. Bhd. by virtue of Section 8 of the Act.

DIRECTORS' INTERESTS IN SHARES AS AT 30 MARCH 2018

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company are as follows: -

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	113,400,000	14.01	24,300,000*	3.00*
3	Dr. Nik Ismail Bin Nik Daud	500,000	0.06	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Ho Tze Hiung	–	–	–	–
6	Dato' Rosely Bin Samsuri	407,999	0.05	–	–
7	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	–	–	–
8	Mohd Nasir Bin Abdullah	–	–	–	–

ANALYSIS OF **SHAREHOLDINGS**

AS AT 30 MARCH 2018 (continued)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS

(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 MARCH 2018)

No.	Name of Shareholders	No. of Shares	%
1	PERBADANAN NASIONAL BERHAD	113,223,104	13.99
2	MALAYSIA TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD	107,203,892	13.24
3	HON TIAN KOK @ WILLIAM	43,517,129	5.38
4	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	37,849,859	4.68
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WH CAPITAL SDN BHD	24,050,000	2.97
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	19,033,012	2.35
7	HSBC NOMINEES (ASING) SDN BHD HSBC-FS I FOR JPMORGAN MALAYSIA FUND	14,321,599	1.77
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	11,315,400	1.40
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM (7001081)	8,000,000	0.99
10	GOH CHUN HAU	7,850,000	0.97
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	7,059,999	0.87
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	6,987,400	0.86
13	TAN HAN CHONG	6,500,000	0.80
14	CIMSEC NOMINESS (TEMPATAN) SDN BHD CIMB BANK FOR TEO POH BOON (PBCL-0G0269)	6,000,000	0.74
15	ONG KENG SENG	5,300,500	0.65
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	5,000,000	0.62
17	ON THIAM CHAI	5,000,000	0.62
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN MAY LEE	3,734,500	0.46
19	CHIA TEE PENG	3,000,000	0.37
20	NORUDIN BIN ABD.MAJID	3,000,000	0.37
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP SOON HENG (E-TJJ)	2,630,000	0.32
22	TEO AH SENG	2,449,000	0.30
23	KU LIAN SIN	2,200,000	0.27
24	TAN CHIN CHON	2,100,000	0.26
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEE GEOK POH (MY2016)	2,071,066	0.26
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	2,000,000	0.25
27	WON TIAN LOONG	2,000,000	0.25
28	LOH BOON HONG	1,950,000	0.24
29	TAN CHIN NAM SENDIRIAN BERHAD	1,920,000	0.24
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHUN HAU (6000841)	1,900,000	0.23

ANALYSIS OF
WARRANTS HOLDINGS
AS AT 30 MARCH 2018

Issue Size	:	133,333,131
Number of unexercised warrants	:	133,332,785
Number of Warrants Holders	:	1,470

DISTRIBUTION OF WARRANT HOLDINGS AS AT 30 MARCH 2018

Size of Holding	No. of Warrants Holders	% of Warrants Holders	No. of Warrants	% of Warrants
Less than 100	122	8.30	5,491	0.00
100 - 1,000	71	4.82	40,273	0.04
1,001 - 10,000	405	27.55	2,324,891	1.74
10,001 - 100,000	665	45.24	28,358,157	21.27
100,001 - 6,666,638*	205	13.95	85,071,285	63.80
6,666,639 AND ABOVE **	2	0.14	17,532,688	13.15
Total	1,470	100.00	133,332,785	100.00

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

DIRECTORS' WARRANTS HOLDINGS

The particulars of Directors' Warrant Holdings in the Company are as follows:

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	7,241,988	5.43	–	–
3	Dr. Nik Ismail Bin Nik Daud	–	–	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Ho Tze Hiung	–	–	–	–
6	Dato' Rosely Bin Samsuri	1,333	0.00	–	–
7	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	–	–	–
8	Mohd Nasir Bin Abdullah	–	–	–	–

SUBSTANTIAL WARRANTS HOLDINGS

The substantial warrants holders (holding 5% or more of the issued warrants) based on the Register of Substantial Warrants holders of the Company and their Warrants holdings are as follows: -

No.	Name of Director	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	Chew Ah Chay	10,290,700	7.72	–	–
2	Hon Tian Kok @ William	7,241,988	5.43	–	–

ANALYSIS OF
WARRANTS HOLDINGS
AS AT 30 MARCH 2018 (continued)

LIST OF TOP 30 LARGEST WARRANTS HOLDERS
(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 30 MARCH 2018)

No.	Name of Warrants Holders	No. of Warrants Held	% of Warrants Held
1	CHEW AH CHAY	10,290,700	7.72
2	HON TIAN KOK @ WILLIAM	7,241,988	5.43
3	PERBADANAN NASIONAL BERHAD	6,250,501	4.69
4	KU LIAN SIN	4,367,401	3.28
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	4,100,000	3.08
6	GOH CHUN HAU	3,771,000	2.83
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CH'NG CHOOI HOU (E-BMM)	2,368,000	1.78
8	TAN SOON LAI	2,217,000	1.66
9	TAN AH SAN @ TAN AH SENG	2,144,301	1.61
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEO POH BOON (PBCL-0G0269)	2,000,000	1.50
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	1,933,333	1.45
12	GOH CHENG FOONG	1,400,000	1.05
13	LOO KIM @ LOH KIM LENG	1,200,000	0.90
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH CHOO WEI (E-KUG)	1,150,000	0.86
15	TAN HAN CHONG	1,000,000	0.75
16	NG SENG NAM	900,000	0.68
17	LEE HIEW CHET	880,000	0.66
18	KOH CHENG GIOK	855,000	0.64
19	CHOO KIM HIN	809,934	0.61
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE CHENG TIONG (E-BPT)	800,000	0.60
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHENG FOONG	750,000	0.56
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM GUEK LIAN (B TINGGI-CL)	726,600	0.54
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHUN HAU (6000841)	710,000	0.53
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE BOON KIAT	702,000	0.53
25	KUOK MIN GIAT	680,000	0.51
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM JIT SOON (E-KLC)	640,100	0.48
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHIN CHUN (J DEDAP-CL)	634,600	0.48
28	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HENG AI LI	622,500	0.47
29	TAN SZE HUNG	611,000	0.46
30	CHEW KIAU SIN	600,000	0.45

NOTICE OF THE SEVENTH (7TH)
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh (7th) Annual General Meeting ("AGM") of Bioalpha Holdings Berhad ("Bioalpha" or "the Company") will be held at Bilik Mesyuarat Lily 1, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Tuesday, 5 June 2018 at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 RM1,400,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from 1 January 2018 up to the next AGM of the Company. (Ordinary Resolution 1)

3. To re-elect the following Directors who are to retire by rotation in accordance with Article 104 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   (i) Mr Hon Tian Kok @ William (Ordinary Resolution 2)
   (ii) Dr Nik Ismail Bin Nik Daud (Ordinary Resolution 3)
   (iii) En Mohd Nasir Bin Abdullah (Ordinary Resolution 4)

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

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

5. **ORDINARY RESOLUTION** (Ordinary Resolution 6)
   AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. **SPECIAL RESOLUTION** (Special Resolution 1)
   PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

   "THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2018 with immediate effect AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

NOTICE OF THE SEVENTH (7TH) ANNUAL GENERAL MEETING (continued)

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: 30 April 2018

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., Sunday, 3 June 2018 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 of the Company's Articles of Association and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 25 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

7. Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of 7th AGM will be put to vote by way of poll.

NOTICE OF THE SEVENTH (7TH) 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. **Special Business - Ordinary Resolution 6**
   Authority to Allot Shares Pursuant to Sections 75 And 76 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 organize 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 6th Annual General Meeting held on 26 May 2017, the mandate of which will lapse at the conclusion of the 7th Annual General Meeting to be held on 5 June 2018.

3. **Special Business – Special Resolution 1**
   Proposed Adoption of New Constitution of the Company

   The Special Resolution 1, if passed, will bring the Company's Constitution in line with the enforcement of Companies Act, 2016 and will enhance administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 30 April 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election pursuant to Article 104 of the Company's Articles of Association at the Seventh (7th) Annual General Meeting of the Company are:-

(i) Mr Hon Tian Kok @ William
(ii) Dr Nik Ismail Bin Nik Daud
(iii) En Mohd Nasir Bin Abdullah

Details of the abovenamed Directors are set out on pages 12 and 15 and their shareholdings in the Company are set out on page 157 to 160 of this Annual Report.

BIOALPHA HOLDINGS BERHAD
(Company No. 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 7th Annual General Meeting ("AGM") of the Company to be held at Bilik Mesyuarat Lily 1, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Tuesday, 5 June 2018 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 RM1,400,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from 1 January 2018 up to the next AGM of the Company	Ordinary Resolution 1		
2.	Re-election of Mr Hon Tian Kok @ William as Director	Ordinary Resolution 2		
3.	Re-election of Dr Nik Ismail Bin Nik Daud as Director	Ordinary Resolution 3		
4.	Re-appointment of En Mohd Nasir Bin Abdullah as Director	Ordinary Resolution 4		
5.	Re-appointment of Auditors	Ordinary Resolution 5		
6.	Authority To Allot Shares Pursuant To Sections 75 And 76 Of The Companies Act, 2016	Ordinary Resolution 6		
7.	Proposed Adoption of New Constitution Of The Company	Special Resolution 1		

Signed on this ____________________ day of ____________ 2018.

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., Sunday, 3 June 2018 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 of the Company's Articles of Association and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 25 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
7. Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of 7th AGM will be put to vote by way of poll.

Please fold here

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

Please fold here

Exclusive For Shareholders

Sign up now to be e-Constant Member

+6 012-248 4018 (Hotline e-Constant)

enquiry@constant.com.my

https://www.constant.com.my

www.facebook/constantpharmacy

www.bioa.com.my

BIO alpha
Health Through Biotech

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.com.my

CONSTANT Lifestyle and Wellness Pharmacy apotec nushine