BIOALPHA HOLDINGS BERHAD

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

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Principal place of business:
No. 10, Jalan P/9A
Seksyen 13
43650 Bandar Baru Bangi
Selangor Darul Ehsan

Company No. 949536 X

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2014

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BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

Principal Activities

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

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

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

Financial Results

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

Reserves and Provisions

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

Dividends

Since the end of the last financial year, a first interim single tier tax exempt dividend of 1.3% on 363,413,114 ordinary shares of RM0.10 each, amounting to a total dividend of RM475,000 in respect of financial year ended 31 December 2014 was paid on 1 November 2014 and 5 January 2015.

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

Issue of Shares and Debentures

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

Options Granted Over Unissued Shares

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

Directors

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

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

Directors' Interests

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

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

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

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

Directors' Benefits

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

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

Other Statutory Information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

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

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

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

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

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

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

Other Statutory Information (Cont'd)

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

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

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(d) In the opinion of Directors:

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

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

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

Significant Event

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

Subsequent Event

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

Auditors

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

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

HON TIAN KOK @ WILLIAM	HO TZE HIUNG

KUALA LUMPUR

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 75 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year ended.

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

HON TIAN KOK @ WILLIAM

HO TZE HIUNG

KUALA LUMPUR

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

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

I, HON TIAN KOK @ WILLIAM, being the Director primarily responsible for the financial management of Bioalpha Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 75 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 13 April 2015	)))	HON TIAN KOK @ WILLIAM

Before me,

No. W 521
MOHAN A.S.MANIAM

Commissioner For Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
(Company No.: 949536-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 75.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (CONT'D)
(Company No.: 949536-X)
(Incorporated in Malaysia)

Opinion

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (CONT'D)
(Company No.: 949536-X)
(Incorporated in Malaysia)

Other Matters

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

UHY
Firm Number: AF 1411
Chartered Accountants

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

KUALA LUMPUR
13 April 2015

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (CONT'D)

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Attributable to Owners of the parent						
		Non- Distributable			Distributable			
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Merger Deficits RM**	**Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
At 1 January 2013		12,719,150	-	(4,969,130)	17,398,071	25,148,091	(36,623)	25,111,468
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	6,294,259	6,294,259	44,023	6,338,282
Transaction with owners								
Issued of ordinary shares	12, 13	5,451,506	11,556,808	-	-	17,008,314	-	17,008,314
At 31 December 2013		18,170,656	11,556,808	(4,969,130)	23,692,330	48,450,664	7,400	48,458,064

BIOALPHA HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

		Attributable to Owners of the parent						
		Non- Distributable			Distributable			
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Merger Deficits RM**	**Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
At 1 January 2014		18,170,656	11,556,808	(4,969,130)	23,692,330	48,450,664	7,400	48,458,064
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	6,432,590	6,432,590	(135,578)	6,297,012
Transaction with owners								
Dividends to owners of the Company	26	-	-	-	(475,000)	(475,000)	-	(475,000)
At 31 December 2014		18,170,656	11,556,808	(4,969,130)	29,649,920	54,408,254	(128,178)	54,280,076

BIOALPHA HOLDINGS BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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

BIOALPHA HOLDINGS BERHAD
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STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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

BIOALPHA HOLDINGS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

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

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

2. **Basis of Preparation**

(a) **Statement of compliance**

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

Adoption of new and amended standards and IC interpretation

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

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

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

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (cont'd)**

Standards issued but not yet effective

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

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

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

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (cont'd)**

Standards issued but not yet effective (cont'd)

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

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

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

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

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

(b) **Functional and presentation currency**

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

2. **Basis of Preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions**

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

(i) **Judgments**

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

(ii) **Key sources of estimation uncertainty**

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

<u>Useful lives of property, plant and equipment</u>

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

<u>Impairment of property, plant and equipment and deferred development costs</u>

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

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

2. **Basis of Preparation (Cont'd)**

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

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

<u>Impairment of investment in subsidiary companies</u>

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

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

<u>Development costs</u>

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

If product already marketed:

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

If product yet to be marketed:

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

2. **Basis of Preparation (Cont'd)**

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

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

Inventories valuation

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

Impairment of loans and receivables

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

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

Income taxes

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

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

3. Significant Accounting Policies

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

(a) Basis of consolidation

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

(i) Subsidiary companies

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

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

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

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (cont'd)**

(i) **Subsidiary companies (cont'd)**

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

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

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

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

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

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

3. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (cont'd)**

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

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

(iii) **Disposal of subsidiary companies**

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

(iv) **Goodwill on consolidation**

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

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

3. **Significant Accounting Policies (Cont'd)**

(b) **Foreign currency transactions and balances**

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

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

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

3. **Significant Accounting Policies (Cont'd)**

(c) **Property, plant and equipment**

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

(i) **Recognition and measurement**

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

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

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

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

(ii) **Subsequent costs**

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

3. **Significant Accounting Policies (Cont'd)**

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

(iii) **Depreciation**

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

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

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

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

3. **Significant Accounting Policies (Cont'd)**

(d) **Leases**

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

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

(i) **Finance lease**

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

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

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

(ii) **Operating lease**

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

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

3. **Significant Accounting Policies (Cont'd)**

(e) **Intangible assets**

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

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

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

The amount initially recognised for internally–generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure 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(k) to the financial statements on impairment of non-financial assets for intangible assets.

3. **Significant Accounting Policies (Cont'd)**

(f) **Financial assets**

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

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

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

Loans and receivables

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

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

Regular way purchase or sale of financial assets

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

Derecognition of financial assets

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

3. **Significant Accounting Policies (Cont'd)**

(g) **Financial liabilities**

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

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

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

(i) Other liabilities measured at amortised cost

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

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

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

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

(ii) Financial guarantee contracts

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

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

3. **Significant Accounting Policies (Cont'd)**

(g) **Financial liabilities (cont'd)**

Derecognition of financial liabilities

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

(h) **Offsetting of financial instruments**

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

(i) **Inventories**

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

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

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

(j) **Cash and cash equivalents**

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

3. **Significant Accounting Policies (Cont'd)**

(k) **Impairment of assets**

(i) **Non-financial assets**

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

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

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

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

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.

3. **Significant Accounting Policies (Cont’d)**

(k) **Impairment of assets (cont’d)**

(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)**

(l) **Provisions**

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

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

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

(m) **Borrowing costs**

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

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

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

3. **Significant Accounting Policies (Cont'd)**

(n) **Share capital**

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

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

(o) **Employee benefits**

(i) **Short term employee benefits**

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

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

(ii) **Defined contribution plans**

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

(p) **Segments reporting**

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

3. **Significant Accounting Policies (Cont'd)**

(q) **Revenue recognition**

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

(i) **Rendering of services**

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

(ii) **Sales of goods**

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

(iii) **Interest income**

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

(iv) **Rental income**

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

(r) **Income taxes**

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

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

3. **Significant Accounting Policies (Cont'd)**

(r) **Income taxes (cont'd)**

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

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

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

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

(s) **Government grants**

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

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

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

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

4. Property, Plant and Equipment

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

4. Property, Plant and Equipment (Cont'd)

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

4. **Property, Plant and Equipment (Cont'd)**

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

(a) Assets pledged as securities to financial institutions

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

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

(c) Assets held under finance leases

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

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

4. **Property, Plant and Equipment (Cont'd)**

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

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

5. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

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

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

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

5. **Investment in Subsidiary Companies (Cont'd)**

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

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

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

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

5. **Investment in Subsidiary Companies (Cont'd)**

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

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

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

5. **Investment in Subsidiary Companies (Cont'd)**

(e) Acquisition of subsidiary companies

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

(ii) On 6 May 2014, Alphacare Sdn. Bhd. (Formerly known as Bioapotec Sdn. Bhd.) ("Alphacare"), a wholly-owned subsidiary of Bioalpha Distribution Sdn. Bhd. ("BDSB") has increased its paid-up share capital from 2 to 900,000 ordinary shares of RM1.00 each. BDSB has subscribed all its shareholding in Alphacare by way of cash.

(iii) On 18 June 2014, Alphacare, a wholly-owned subsidiary of BDSB has increased its paid-up share capital from 900,000 to 1,400,000 ordinary shares of RM1.00 each. BDSB has subscribed all its shareholding in Alphacare by way of cash.

6. **Development Expenditures**

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

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

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

7. Inventories

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

8. Trade Receivables

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

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

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

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

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

8. **Trade Receivables (Cont'd)**

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

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

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

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

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

Credit risk concentration profile

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

9. **Other Receivables**

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

10. **Amount Owing by Subsidiary Companies**

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

11. **Fixed Deposits with Licensed Banks**

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

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

12. **Share Capital**

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

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

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

13. **Share Premium**

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

14. Merger Deficits

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

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

15. Finance Lease Payables

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

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

16. Bank Borrowings

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

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

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

The maturity of bank borrowings is as follows:

	Group	
	2014	2013
	%	%
Bank overdraft	8.35	-
Bankers' acceptances	5.91	5.88
Term loans	5.40 - 5.90	5.40 - 5.90

16. **Bank Borrowings (Cont'd)**

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

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

17. **Deferred Tax Liabilities**

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

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

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

17. Deferred Tax Liabilities (Cont'd)

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

Deferred tax liabilities of the Group:

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

Deferred tax assets of the Group:

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

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

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

18. Trade Payables

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

19. Other Payables

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

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

The movement of the deferred capital grant is as follows:

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

20. Amount Owing to a Director

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

21. Revenue

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

22. Finance Costs

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

23. Profit before Taxation

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

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Auditors' remuneration	55,000	59,000	10,000	10,000
Allowance for impairment loss on trade receivables	125,273	-	-	-
Amortisation of development expenditures	966,926	443,876	-	-
Bad debts written off	1,700	633	-	-
Corporate expenses written off	-	550,271	-	-
Depreciation of property, plant and equipment				
- administrative expenses	543,072	806,617	105	-
- cost of sales	1,854,912	1,288,620	-	-
Directors' remuneration				
Company's Directors				
- fee	333,000	228,000	327,000	228,000
- salaries and other emoluments	647,240	614,081	2,000	-
- EPF	46,944	21,320	-	-
Rental of premises	344,340	208,435	-	-

23. Profit/(Loss) before Taxation (Cont'd)

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Dividend income from a subsidiary company	-	-	(475,000)	-
Gain disposal of property, plant and equipment	-	(43,400)	-	-
Loss/(Gain) on foreign exchange				
- realised	11,702	32,558	-	-
- unrealised	-	(146,770)	-	-
Grant income	(4,226,773)	(791,152)	-	-
Interest income	(204,397)	(67,945)	(131,353)	(41,315)
Management fee	-	-	(360,000)	(360,000)
Rental income	(33,870)	(29,040)	-	-

24. Taxation

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

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

24. Taxation (Cont'd)

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

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

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

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

25. Earnings per share

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

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

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

26. Dividends

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

27. Employee Benefits Expenses

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

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

28. Capital Commitment

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

29. Contingent Liability

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

30. **Related Party Disclosures**

(a) Identifying related parties

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

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

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

(b) Significant related party transactions

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

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

(c) Compensation of key management personnel

Remuneration of Directors and key management personnel are as follows:

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

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

31. **Segment information**

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

Geographical information

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

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

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

Major customers

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

32. Financial Instruments

(a) Classification of financial instruments

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

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

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

32. **Financial Instruments (Cont'd)**

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

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

32. **Financial Instruments (Cont'd)**

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

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

32. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies

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

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk

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

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

32. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk (cont'd)

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

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

32. **Financial Instruments (Cont'd)**

(c) Market risk

(i) Foreign currency risk

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

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

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

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

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

Foreign currency sensitivity analysis

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

32. **Financial Instruments (Cont'd)**

(c) Market risk (cont'd)

(ii) Interest rate risk

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

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

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

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

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

32. **Financial Instruments (Cont'd)**

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

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

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

(d) Fair value of financial instruments

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

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

32. Financial Instruments (Cont'd)

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

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

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

32. **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).

(iv) Level 3 fair value

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

33. **Capital Management**

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

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

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

33. **Capital Management (Cont'd)**

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

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

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

34. **Significant Event**

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

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

35. **Subsequent Event**

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

36. **Date of Authorisation for Issue**

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