

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

Shareholders of Bioalpha Holdings Berhad ("**Bioalpha**") should rely on their own evaluation to access the merits and risks of the Proposed Rights Issue with Warrants (as defined herein). If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. You should rely on your own evaluation to assess the merits and risks of the proposal as set out in this Circular.

This Circular has been reviewed by Hong Leong Investment Bank Berhad as the adviser to Bioalpha for the Proposed Rights Issue with Warrants (as defined herein).



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 133,333,131 NEW ORDINARY SHARES OF RM0.05 EACH IN BIOALPHA ("BIOALPHA SHARE(S)") ("RIGHTS SHARE(S)") TOGETHER WITH 133,333,131 FREE NEW DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE TO BE DETERMINED LATER ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 5 BIOALPHA SHARES HELD TOGETHER WITH 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

The notice of Extraordinary General Meeting ("**EGM**") to be held at Meeting Hall, Mawar Room, Level 1, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia, on Tuesday, 15 November 2016 at 10.00 a.m. or any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

As a shareholder, you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and deposit the Form of Proxy at the office of our Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than 48 hours before the time set for the EGM or any adjournment thereof. You are not precluded from attending and voting in person at the EGM should you wish to do so subsequent to the lodging of the Form of Proxy.

Last date and time for lodging the Form of Proxy	: Sunday, 13 November 2016, at 10.00 a.m.
Date and time of the EGM	: Tuesday, 15 November 2016, at 10.00 a.m.

This Circular is dated 31 October 2016

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Additional Undertaking”	: The additional undertaking procured from Mr. Hon Tian Kok @ William and PNS that they will additionally subscribe for Rights Shares and Warrants not subscribed for by the other shareholders of Bioalpha to ensure that all Rights Shares and Warrants available for subscription pursuant to the Proposed Rights Issue with Warrants are fully subscribed for
“Bioalpha” or “Company”	: Bioalpha Holdings Berhad (949536-X)
“Bioalpha Group” or the “Group”	: Bioalpha and its subsidiaries
“Bioalpha Share(s)”	: Ordinary shares of RM0.05 each in the Company
“Board”	: Board of Directors of Bioalpha
“Bonus Issue”	: Bonus issue of 166,665,655 Bioalpha Shares, which was completed on 13 September 2016
“Bonus Shares”	: 166,665,655 Bioalpha Shares issued pursuant to the Bonus Issue, which were listed on the ACE Market of Bursa Securities on 13 September 2016
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“Circular”	: This circular dated 31 October 2016 in relation to the Proposed Rights Issue with Warrants
“Code”	: Malaysian Code on Take-Overs and Mergers, 2016, as amended from time to time and any re-enactment thereof
“Deed Poll”	: The deed poll constituting the Warrants to be executed by the Company pursuant to the Proposed Rights Issue with Warrants
“Desaru Land”	: Two parcels of agricultural land totalling approximately 294.9 acres at Mukim of Sedil Kecil and Mukim of Pantai Timur District of Kota Tinggi Johor
“EGM”	: Extraordinary General Meeting
“Entitled Shareholders”	: Shareholders of Bioalpha whose names appear in the Record of Depositors on the Entitlement Date
“Entitlement Date”	: A date to be determined by the Board and announced later, on which shareholders of Bioalpha must be registered in the Record of Depositors of Bioalpha as at 5.00 p.m. in order to be entitled to the Proposed Rights Issue with Warrants
“EPS”	: Earnings per share

DEFINITIONS (Cont'd)

"Exercise Price"	: Exercise price of the Warrants, which is to be determined by the Board and announced later
"FYE"	: Financial year ended/ending 31 December, as the case may be
"GMP"	: Good Manufacturing Practice, an internationally recognised standard of manufacturing that is applied for manufacturing of food and food-related products, traditional medicine and pharmaceutical products
"HLIB"	: Hong Leong Investment Bank Berhad (10209-W)
"Issue Price"	: Issue price of the Rights Shares, which is to be determined by the Board and announced later
"Listing Requirements"	: ACE Market Listing Requirements of Bursa Securities, as amended from time to time
"LPD"	: 15 October 2016, being the latest practicable date prior to the date of this Circular
"Market Day"	: Any day on which Bursa Securities is open for trading in securities
"MTDC"	: Malaysian Technology Development Corporation Sdn Bhd (235796-U)
"NA"	: Net assets
"Official List"	: A list specifying all securities which have been admitted for listing on the ACE Market of Bursa Securities and not removed
"Pasir Raja Land"	: 1,003.2 acres of integrated herbal cluster agricultural land located at Mukim Pasir Raja, Terengganu
"PNS"	: Perbadanan Nasional Berhad (9157-K)
"Price-Fixing Date"	: The date on which the Issue Price and Exercise Price will be fixed by the Board prior to the Entitlement Date and announced by the Company
"Proposed Rights Issue with Warrants"	: Proposed renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 Warrants at an issue price to be determined later on the basis of 1 Rights Share for every 5 existing Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed
"Record of Depositors"	: A record of securities holders established by Bursa Depository under the rules of Bursa Depository
"Rights Share(s)"	: 133,333,131 new Bioalpha Shares to be issued pursuant to the Proposed Rights Issue with Warrants
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"Share Issuance Scheme"	: A share issuance scheme of up to 30% of Bioalpha's issued and paid-up share capital (excluding any treasury shares) at any one time during the duration of the scheme as announced on 27 May 2016, amongst others, which was approved by the shareholders of Bioalpha at an EGM held on 19 August 2016 and is yet to be implemented
"Smith Zander"	: Smith Zander International Sdn Bhd (1058128-V)
"TERP"	: Theoretical ex-rights price

DEFINITIONS (Cont'd)

"Undertakings"	: Irrevocable written undertakings from the Undertaking Shareholders that they will subscribe in full for their entitlement of Rights Shares based on their shareholdings as at the Entitlement Date
"Undertaking Shareholders"	: Mr Hon Tian Kok @ William and PNS, collectively
"VWAMP"	: Volume-weighted average market price
"Warrant(s)"	: 133,333,131 free new detachable warrants in Bioalpha to be issued pursuant to the Proposed Rights Issue with Warrants

All references to "our Company" in this Circular are to Bioalpha, references to "our Group" are to our Company and our subsidiaries, collectively, and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context requires, shall include our subsidiary and associated companies.

All references to "you" in this Circular are to the shareholders of our Company.

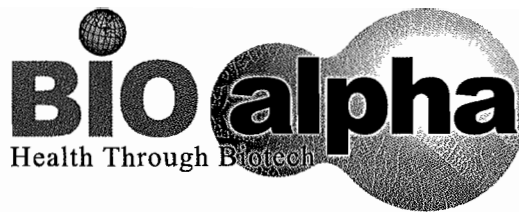
Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

All references to the time of day in this Circular are references to Malaysian time.

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BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

31 October 2016

Board of Directors

Tan Sri Abd Rahman Bin Mamat (*Independent Non-Executive Chairman*)
Hon Tian Kok @ William (*Managing Director/ Chief Executive Officer*)
Ho Tze Hiung (*Executive Director*)
Dato' Norhalim Bin Yunus (*Non-Independent Non-Executive Director*)
Dato' Rosely Bin Samsuri (*Non-Independent Non-Executive Director*)
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (*Independent Non-Executive Director*)
Dr. Nik Ismail Bin Nik Daud (*Independent Non-Executive Director*)
Mohd Nasir Bin Abdullah (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE WITH WARRANTS

1. INTRODUCTION

On 7 September 2016, HLIB had, on behalf of the Board, announced that the Company proposes to undertake a renounceable rights issue of 133,333,333 Rights Shares together with 133,333,333 Warrants at an issue price to be determined later on the basis of 1 Rights Share for every 5 existing Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed. The number of Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants was determined after taking into account the issued and paid-up share capital of the Company of 500,000,000 Bioalpha Shares and the Bonus Issue of 166,666,666 Bonus Shares as at 7 September 2016.

On 9 September 2016, the Company had announced that after disregarding fractional entitlements arising from the Bonus Issue, the total number of Bonus Shares to be listed on the ACE Market of Bursa Securities on 13 September 2016 is 166,665,655 Bonus Shares.

Further thereto, on 19 September 2016, HLIB had, on behalf of the Board, announced that after taking into consideration the enlarged issued and paid-up share capital of Bioalpha upon completion of the Bonus Issue which comprises of 666,665,655 Bioalpha Shares, the Proposed Rights Issue with Warrants will now entail a renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 Warrants at an issue price to be determined later on a similar basis as first announced on 7 September 2016.

Bursa Securities had, vide its letter dated 13 October 2016, approved the following:

- (i) Listing of and quotation for the 133,333,131 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) Admission to the Official List of Bursa Securities and the listing of and quotation for the 133,333,131 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (iii) Listing of and quotation for up to 133,333,131 new Bioalpha Shares to be issued arising from the exercise of the Warrants,

on the ACE Market of Bursa Securities, subject to the conditions as disclosed in Section 8 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS AND INFORMATION ON THE PROPOSED RIGHTS ISSUE WITH WARRANTS, TO SET OUT THE BOARD'S RECOMMENDATION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

2.1 Basis and number of Rights Shares and Warrants to be issued

The Proposed Rights Issue with Warrants entails the renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 Warrants at the Issue Price on the basis of 1 Rights Share for every 5 existing Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed for by the Entitled Shareholders on the Entitlement Date.

Based on the issued and paid-up share capital of Bioalpha as at the LPD of RM33,333,283 comprising 666,665,655 Bioalpha Shares, a total of 133,333,131 Rights Shares together with 133,333,131 Warrants will be issued. Additionally, up to 133,333,131 new Bioalpha Shares will be issued upon the full exercise of the Warrants. It is to be noted that the Board intends to implement the Share Issuance Scheme (which was approved by the shareholders of Bioalpha at an EGM held on 19 August 2016) after the completion of the Proposed Rights Issue with Warrants.

The entitlements for the Rights Shares with Warrants are renounceable in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Proposed Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants. For the avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable.

Any Rights Shares which are unsubscribed or not taken up or not validly taken up shall be made available for excess applications by other Entitled Shareholders and/or their renouncee(s). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

The Warrants will be issued in registered form and constituted by the Deed Poll to be executed by the Company. The indicative salient terms of the Warrants are set out in Section 2.5 of this Circular.

Any fractional entitlements that may arise from the Proposed Rights Issue with Warrants will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion think fit and expedient or to be in the best interest of the Company.

2.2 Basis and justifications of determining the Issue Price and the Exercise Price

2.2.1 Basis and justifications of determining the Issue Price of the Rights Shares

As at the LPD, the Board has yet to determine the Issue Price of the Rights Shares. Nonetheless, the Issue Price shall be determined and fixed by the Board and announced at a later date after receipt of all relevant approvals but prior to the announcement of the Entitlement Date, after taking into consideration, amongst others, the following:

- (i) the funding requirements of the Bioalpha Group, details of which are set out in Section 3 of this Circular;
- (ii) the 5-day VWAMP of Bioalpha Shares immediately prior to the Price-Fixing Date;
- (iii) the minimum issue price allowable under the Act, which is not less than the par value of Bioalpha Shares of RM0.05 each; and
- (iv) the discount to the Issue Price of not more than 25% to the TERP of the Bioalpha Shares.

In any event, the Issue Price shall not be lower than the par value of Bioalpha Shares of RM0.05 each.

The discount to the Issue Price was determined by the Board after taking into account the following:

- (i) the funding requirements of the Bioalpha Group, details of which are set out in Section 3 of this Circular;
- (ii) Bioalpha Shares were traded at the lowest of RM0.255 per Bioalpha Share and the highest of RM0.450 for the past 12 months up to and including the LPD; and
- (iii) the discount will provide the existing shareholders with an attractive opportunity to further increase their equity participation in the Company at a discount to the prevailing market price of Bioalpha Shares.

For illustrative purposes, the indicative Issue Price is assumed to be fixed at RM0.21. The indicative Issue Price represents a discount of approximately 12.53% to the TERP of RM0.2401 per Bioalpha Shares based on the 5-day VWAMP of Bioalpha Share up to and including 14 October 2016 of RM0.2461.

2.2.2 Basis and justifications of determining the Exercise Price of the Warrants

The Warrants are attached to the Rights Shares without any cost and will be issued only to subscribers of the Rights Shares and/or their renouncee(s) who have successfully subscribed for the Rights Shares.

The issuance of the Warrants is expected to enhance the attractiveness of the Proposed Rights Issue with Warrants as well as enabling the subscribers of the Rights Shares to benefit from the future growth of the Company.

As at the LPD, the Board has yet to determine the Exercise Price of the Warrants. Nonetheless, the Exercise Price shall be determined and fixed by the Board and announced at a later date after receipt of all relevant approvals but prior to the announcement of the Entitlement Date, after taking into consideration, amongst others, the following:

- (i) the future prospects of the Bioalpha Group, details of which are set out in Section 5.6 of this Circular;
- (ii) the 5-day VWAMP of Bioalpha Shares immediately prior to the Price-Fixing Date. The exercise price of the Warrants may be fixed at a discount to the said TERP if deemed appropriate by the Board;
- (iii) the minimum issue price allowable under the Act, which is not less than the par value of Bioalpha Shares of RM0.05 each; and

In any event, the Exercise Price shall not be lower than the par value of Bioalpha Shares of RM0.05 each.

For illustrative purposes, the indicative Exercise Price is assumed to be fixed at RM0.21, which is based on the illustrative Issue Price of RM0.21 per Rights Share. The indicative Exercise Price represents a discount of approximately 12.53% to the TERP of RM0.2401 per Bioalpha Shares based on the 5-day VWAMP of Bioalpha Share up to and including 14 October 2016 of RM0.2461.

2.3 Ranking of the Rights Shares and new Bioalpha Shares to be issued arising from the exercise of the Warrants

The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the allotment and issuance of the Rights Shares.

The new Bioalpha Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the allotment and issuance of the said new Bioalpha Shares.

2.4 Undertakings by substantial shareholders

The Proposed Rights Issue with Warrants will be undertaken on a full subscription basis.

In this respect, Bioalpha had, on 1 September 2016, procured the Undertakings and Additional Undertakings from the Undertaking Shareholders. The Undertaking Shareholders shall subscribe in full for any additional entitlement of the Proposed Rights Issue with Warrants in the event they increase their shareholdings in Bioalpha prior to the Entitlement Date. Further to the Undertakings, Additional Undertakings have also been procured from the Undertaking Shareholders to ensure that all the Rights Shares and Warrants available for subscription pursuant to the Proposed Rights Issue with Warrants of Bioalpha are fully subscribed for. As such, there will be no underwriting arrangements for the Proposed Rights Issue with Warrants.

The details of the Undertakings and Additional Undertaking are set out below:

Substantial shareholder	Shareholdings as at the LPD		No. of Rights Shares to be subscribed based on the Undertakings		No. of Rights Shares to be subscribed based on the Additional Undertakings		Total number of Rights Shares to be subscribed	
	No. of shares	(1)%	No. of shares	(2)%	No. of shares	(2)%	No. of shares	(2)%
Hon Tian Kok @ William	118,991,940	17.85	23,798,388	17.85	20,332,377	15.25	44,130,765	33.10
PNS	68,755,505	10.31	13,751,101	10.31	75,451,265	56.59	89,202,366	66.90

Notes:

(1) Based on the issued and paid-up share capital as at the LPD.

(2) Based on the Undertakings and Additional Undertakings for the aggregate number of Rights Shares available for subscription pursuant to the Proposed Rights Issue with Warrants.

The Undertaking Shareholders have provided their confirmation that they have the sufficient financial resources to subscribe in full for the Rights Shares pursuant to the Undertakings and Additional Undertakings. HLIB has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for the Rights Shares pursuant to the Undertakings and Additional Undertakings.

Pursuant to the Undertakings and Additional Undertakings, the Undertaking Shareholders are not expected to trigger a mandatory take-over offer obligation pursuant to the Code as the Undertaking Shareholders' shareholdings will not individually exceed 33.00% of the enlarged issued and paid-up share capital of Bioalpha.

However, like any other Entitled Shareholders, should the Undertaking Shareholders exercise all their Warrants into new Bioalpha Shares such that their shareholdings individually in Bioalpha increases to above 33%, or in the case where their individual shareholdings in Bioalpha is between 33% and 50%, an increase by more than 2% in any 6 months period, the affected Undertaking Shareholder will be obliged to undertake a mandatory take-over offer for all the remaining Bioalpha Shares not already held by them individually pursuant to Rule 4 of the Code.

Further, in the event that the Undertaking Shareholders subscribes for their Undertakings and Additional Undertakings and no other Entitled Shareholder subscribes for their entitlements under the Proposed Rights Issue with Warrants, the public shareholding spread of Bioalpha will not fall below the minimum shareholding spread requirement of 25.00% as required pursuant to Rule 8.02(1) of the Listing Requirements.

2.5 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out below:

Issue size	:	133,333,131 Warrants to be issued in conjunction with the Proposed Rights Issue with Warrants to the Entitled Shareholders on the basis of 1 Warrant for 1 Rights Share successfully subscribed.
Form and denomination	:	The Warrants to be issued with the Rights Shares are immediately detached upon its issuance and will be separately traded. The Warrants will be issued in registered form and constituted by a deed poll.
Exercise Rights	:	Each Warrant shall entitle the registered holder, at any time during the Exercise Period, to subscribe for 1 new Bioalpha Share at the Exercise Price, subject to adjustments in accordance with the provisions as set out in the deed poll.

Exercise Price	: The exercise price of the Warrants will be determined on a price-fixing date to be determined by the Board, after taking into consideration the theoretical ex-rights price per Bioalpha Share at an appropriate discount and prevailing market conditions. In any case the exercise price of the Warrants will not be lower than RM0.05 per Warrant, being the par value of Bioalpha Shares, if applicable.
Exercise Period	: The Warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the Expiry Date, but excluding the 5 Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors of the Company and/or the Warrants register is closed. Any Warrant not exercised during the Exercise Period will cease to be valid for any purpose and will be deemed to have lapsed.
Expiry Date	: The close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5 th anniversary of the date of issuance of the Warrants or if such a date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. Any Warrants which have not been exercised and delivered to the registrar will cease to be valid for any purpose and will be deemed to have lapsed.
Board lot	: For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Bioalpha Shares at any time during the Exercise Period, or such denomination as determined by Bursa Securities.
Listing status	: The Warrants will be listed on the ACE Market of Bursa Securities.
Rights of Warrant holders	: The registered holder of the Warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in Bioalpha unless and until the Warrant holder becomes a shareholder of Bioalpha by exercising his/ her Exercise Rights.
Adjustment in the Exercise Price and/or number of Warrants	: Subject to the provisions of the deed poll, the Exercise Price and/or the number of unexercised Warrants held by each Warrant holder may be adjusted by the Board in consultation with the auditor and/or approved adviser and if deemed necessary, certified by the auditors appointed by Bioalpha, in the event of any alteration to the share capital of Bioalpha in accordance with the provisions set out in the deed poll.
Rights in the event of winding up, amalgamation, reconstruction	: Where a resolution has been passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then: <ul style="list-style-type: none"> (i) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a Special Resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant holders; and

- : (ii) in any other case, every Warrant holder will be entitled at any time within 6 weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by that Warrant to the extent specified in the Exercise Forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly.
- Further Issues : Subject to the provisions of the deed poll, the Company will be at liberty to issue Shares or other securities convertible to Shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warrant holders will not have any participating rights in such issue unless the Warrant holder becomes a shareholder of Bioalpha by exercising his Exercise Rights or otherwise resolved by the Company in a general meeting.
- Modification : The Company, may from time to time, without the consent or sanction of the Warrant holders, but subject to the prior approvals of the relevant authorities, if required, modify this deed poll if such modifications are not materially prejudicial to the interests of the Warrant holders or to correct a manifest error or to comply with the mandatory provisions of the laws of Malaysia.

Subject to the prior approval of Bursa Securities and other relevant authorities, any modifications, amendments, deletions or additions to the deed poll must be effected by a supplemental deed poll executed by the Company and expressed to be supplemental to the deed poll, approved by the Warrant Holders sanctioned by special resolution, and comply with the relevant provisions of the deed poll.
- Deed Poll : The Warrants will be constituted by a deed poll to be executed by Bioalpha.
- Governing law : Laws of Malaysia.

2.6 Listing of the Rights Shares, Warrants and new Bioalpha Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, via its letter dated 13 October 2016, granted its approval for the listing of and quotation for the Warrants, the listing of the Rights Shares and the new Bioalpha Shares to be issued pursuant to the exercise of Warrants on the ACE Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions disclosed in Section 8 of this Circular.

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3. PROPOSED UTILISATION OF PROCEEDS

Based on the indicative Issue Price of RM0.21 per Rights Share, the Proposed Rights Issue with Warrants is expected to raise gross proceeds of approximately RM28.00 million (excluding proceeds from any exercise of the Warrants in the future, if any). The proposed utilisation of the proceeds raised from the Proposed Rights Issue with Warrants is as follows:

Proposed utilisation of proceeds	Note	RM'000	Estimated timeframe for utilisation of proceeds from the date of listing of the Rights Shares
Launch of new products	(i)	13,500	Within 18 months
Capital expenditure	(ii)	3,500	Within 18 months
Expansion of agriculture business operations	(iii)	10,000	Within 18 months
Working capital	(iv)	345	Within 6 months
Estimated expenses	(v)	655	Within 1 month
		28,000	

Notes:

- (i) The Bioalpha Group intends to utilise RM13.50 million of the proceeds raised from the Proposed Rights Issue with Warrants for the launch of new products. Presently, the 3 principal markets of the Bioalpha Group are Malaysia, Indonesia and China. It is anticipated that the demand for health foods and supplements in these markets are on an upward trend. Thus, the Bioalpha Group intends to launch new products in these markets to capitalise on this trend by providing its customers with a greater range of product offerings in efforts to increase the Bioalpha Group's profitability and garner greater market share. The number of new products expected to be launched in the various geographical markets and its expected launched timeframe are as follows:

Geographical market	1 st half 2017	2 nd half 2017	1 st half 2018
Malaysia	5 new products	-	5 new products
Indonesia	3 new products	3 new products	6 new products
China	3 new products	2 new products	-
Total	11 new products	5 new products	11 new products

The new products to be launched in Malaysia will focus on the improvement of general health, immune system, respiratory functions and anti-ageing purposes while the new products for the Indonesian market will focus on products which enhance aesthetics and are diet-related in nature. The new products for the China market will be functional food products which improve the immune system, respiratory functions and general health.

The new products to be launched in Malaysia and China will be manufactured and packaged in Malaysia at the Bioalpha Group's production facility located in Bangi, Selangor (built-up area of 13,737 square feet). The new products to be launched in Indonesia will be manufactured at the Bioalpha Group's production facility located in Bangi, Selangor and packaged in Indonesia at the Bioalpha Group's new facility to be commissioned and located in Kampar, Riau, Indonesia (built-up area of approximately 5,000 square feet). As at the LPD, the Bioalpha Group has yet to incur any expenses for the launch of new products.

The proceeds proposed to be utilised for the launch of new products is expected to be allocated in the following manner:

	RM'000
Purchase of raw materials	7,850
Packaging costs	5,650
Total	13,500

The sales of the new products to be launched in Malaysia will be undertaken by the Bioalpha Group's own "Constant" pharmacies as well as other third-party pharmacies. The sales of the new products to be launched in Indonesia and China will be undertaken by identified distributors appointed or distributors to be identified by the Bioalpha Group. Based on the Bioalpha Group's audited consolidated financial statements for the FYE 2015, the Bioalpha Group had generated 21.07% of its revenue from the Malaysian market, while the Indonesian and Chinese market had contributed 48.50% and 28.02% respectively. The remaining revenue for the FYE 2015 was derived from the sales of the Bioalpha Group's products to other countries, namely Singapore and Taiwan.

Please refer to Section 5.6 of this Circular for further information on the intended launch of new products by the Bioalpha Group.

- (ii) In line with the business expansion plans of the Bioalpha Group to launch new products in Malaysia, Indonesia and China, capital expenditure is required for the purchase of new machineries to increase the production capacity of the Bioalpha Group. The Company will allocate RM2.50 million towards this purpose. The new machineries proposed to be purchased will enable the Bioalpha Group to cater for the increase in supply required in anticipation of the launch of new products. These new machineries will be housed in the Bioalpha Group's existing production facility in Bangi, Selangor and primary processing plant in Pasir Raja, Terengganu respectively and will be used in the processing, production, packaging and storage of the new products and is anticipated to enhance the production efficiency of the Bioalpha Group. The current available floor space at the Bioalpha Group's existing production facility in Bangi, Selangor and primary processing plant in Pasir Raja, Terengganu are sufficient to cater for the new machineries. The details of the new machineries proposed to be purchased are as follows:

	Expected purchase / commissioning from the date of listing of the Rights Shares	Units	Total cost (RM)
Boiler	1 month / 11 months	1	300,000
Chiller	1 month / 7 months	1	100,000
Quadruple pouch packing machine	12 months / 17 months	1	500,000
High speed wet granulator	1 month / 6 months	1	550,000
Automated tea bag machine	7 months / 12 months	1	300,000
Automated sealer and shrink wrap machine	12 months / 17 months	1	250,000
Sachet packing machine	1 month / 6 months	2	500,000
Total		8	2,500,000

In addition to new machineries, the Bioalpha Group will allocate proceeds raised of RM1.0 million for the upgrading of existing machineries used in the Bioalpha Group's primary processing plant located in Pasir Raja, Terengganu. The machineries proposed to be upgraded are used for the processing of herbs harvested from the Pasir Raja Land, namely for the process of washing, chipping, drying, grinding, vacuum packaging and storage. The proposed upgrading of machineries will enable the Bioalpha Group to cater for the increase in herbs harvested arising from the increased development and cultivation of herbs at the Pasir Raja Land. The details for the upgrading of machineries are as follows:

Category of machineries	Expected commencement and completion of upgrading works from the date of listing of the Rights Shares	Total cost (RM)
Washing machineries	7 months / 12 months	100,000
Chipping machineries	7 months / 12 months	100,000
Drying machineries	7 months / 12 months	280,000
Grinding machineries	7 months / 12 months	130,000
Vacuum packaging machineries	7 months / 12 months	90,000
Cool room (Storage)	7 months / 15 months	300,000
Total		1,000,000

Upon the abovementioned purchase of new machineries and the upgrading of existing machineries, the Bioalpha Group's production capacities will increase as follows:

Equipment	Description	Estimated annual production capacity as at 31 December 2015 Units	Utilisation rates for the FYE 2015 %	Estimated revised annual production capacity Units
Bioreactor (fermentation)	Apparatus involved in the liquid fermentation of medicinal mushrooms	⁽¹⁾ 9,125	76.33	⁽¹⁾ 9,125
Sachet (liquid and powder)	Machinery involved in measuring, sieving, separating, filtering and filling of liquid and powdered mixes into sachets	⁽²⁾ 8,985,600	50.79	⁽²⁾ 22,464,000
Bottle (liquid)	Machinery involved in the filling and capping of bottles	⁽²⁾ 1,497,600	28.47	⁽²⁾ 1,497,600
Encapsulation (bottle and blister pack)	Machinery involved in the filling, counting and blister packing capsules	⁽²⁾ 31,449,600	35.02	⁽²⁾ 31,449,600
Teabag	Machinery involved in manufacturing products in teabag packaging forms	⁽²⁾ 7,488,000	15.09	⁽²⁾ 12,729,600
Tablet	Machinery involved in tableting, tablet hardness testing and tablet pressing	⁽²⁾ 50,018,400	21.28	⁽²⁾ 50,018,400

Notes:

(1) Based on 5 days processing time per batch of fermented medicinal mushroom.

(2) Based on an 8 hour shift over a 6 working day week.

Presently, the Company has available an aggregate storage space of approximately 5,000 square feet located in its production facilities located in Bangi and Semenyih, Selangor and its primary processing plant located in Pasir Raja, Terengganu, of which as at the LPD, 56.40% is occupied. Pursuant thereto, the management of the Bioalpha Group is of the opinion that there is sufficient storage space to cater for the increase in production of the Bioalpha Group's products arising from its improved production capabilities.

- (iii) The Bioalpha Group is presently involved in the business of investing, developing and managing agricultural land for the cultivation of herbal plants as part of an initiative by the Government of Malaysia to boost the herbal agriculture industry. The Bioalpha Group has been awarded with an aggregate of 1,298.1 acres of agricultural land through this initiative, of which 1,003.2 acres are located in Pasir Raja, Terengganu and the remaining 294.9 acres located in Desaru, Johor. The Pasir Raja Land and the Desaru Land have been first harvested since 2015 and 2012 respectively. As at the LPD, approximately 123.5 acres out of the 1,003.2 acres of the Pasir Raja Land and 100 acres out of the 294.9 acres of the Desaru Land have been fully planted since 2015 and 2014 respectively. Based on the plantation cycle of the planted area on the Pasir Raja Land and Desaru Land, the herb plants planted as at the LPD are 10% and 80% matured respectively.

The quantum of herbs harvested during the FYE 2015 and the FPE 30 September 2016 are as follows:

Location	FYE 2015 (Tonnes)	FPE 30 September 2016 (Tonnes)
<i>Pasir Raja, Terengganu</i>	0.12	43.72
<i>Desaru, Johor</i>	40.50	66.80
Total	40.62	110.52

The management of the Bioalpha Group estimates the remaining development costs of the unplanted agricultural land located in Pasir Raja, Terengganu to be approximately RM10.0 million. The Bioalpha Group proposes to utilise RM10.0 million of the proceeds raised from the Proposed Rights Issue with Warrants to put on stream the remaining 879.7 acres of the Pasir Raja Land. The proceeds set aside for the Bioalpha Group's expansion of its agriculture business operations is allocated for land clearing costs, purchase of seeds, planting costs and the cost of extraction of herbs. The types of herbs to be cultivated and harvested on the remaining 879.7 acres at the Pasir Raja Land include turmeric, ginger, tongkat ali, kacip fatimah, misai kucing, hempedu bumi and roselle. The remaining 879.7 acres of the Pasir Raja Land is expected to be first harvested in the fourth quarter of 2017 and will be fully planted in 2018.

The management of the Bioalpha Group currently has no plans for the development and cultivation of the remaining Desaru Land measuring 194.9 acres within the next 2 years as it is focusing on the Pasir Raja Land.

- (iv) The Bioalpha Group intends to utilise part of the proceeds raised from the Proposed Rights Issue with Warrants for general working capital purposes of the Bioalpha Group, including but not limited to payment of trade and other payables and other day-to-day expenses, which include utilities, upkeep and maintenance and other administrative expenses. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. In addition, the actual amount to be utilised for each component of working capital may differ subject to the operating requirements at the time of utilisation. Any additional working capital required by the Bioalpha Group would be funded via the Bioalpha Group's internally-generated funds and/or bank borrowings.
- (v) The estimated expenses relating to the Proposed Rights Issue with Warrants comprises of professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertisement and other ancillary expenses. If the actual expenses incurred are higher/lower than budgeted, the deficit/surplus will be funded from/contributed to the portion allocated for working capital purposes.

Any variation to the amount of proceeds to be raised, which is dependent upon the Issue Price to be fixed, will be adjusted against the working capital.

Pending utilisation of the proceeds raised from the Proposed Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Bioalpha Group.

The gross proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants as well as the final exercise price of the Warrants. For illustrative purposes only, the maximum gross proceeds that are expected to be raised upon the full exercise of Warrants is approximately RM28.0 million based on the indicative Exercise Price of RM0.21 per Warrant. The gross proceeds to be raised from the exercise of Warrants will be utilised as additional working capital to finance the Bioalpha Group's day to day operations. The proceeds may be utilised to finance, amongst others, payment to trade and other creditors as well as general expenses such as utilities and office expenses, the breakdown of which have not been determined at this juncture.

4. RATIONALE FOR THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The Proposed Rights Issue with Warrants is undertaken to raise funds for the purposes as stated in Section 3 above. This forms part of Bioalpha's capital management strategy to strengthen its capital position to support the continuous business expansion of the Bioalpha Group. The Proposed Rights Issue with Warrants will also facilitate the build-up of an adequate level of capital in preparation for its plans for new products to be offered.

The Board is of the view that the Proposed Rights Issue with Warrants is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

- (i) the Proposed Rights Issue with Warrants provides an opportunity for the Entitled Shareholders to increase their equity participation in Bioalpha through the subscription of the Rights Shares and Warrants;
- (ii) to raise immediate funds for Bioalpha without incurring interest costs as compared to other means of financing such as through bank borrowings or the issuance of debt instruments;
- (iii) the Warrants will mitigate the immediate dilutive impact on the EPS of Bioalpha, which would otherwise arise from a full equity issue, as the Warrants will only be exercised over a period of time; and
- (iv) the Warrants, which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for their Rights Shares. They would also enable the Entitled Shareholders to benefit from the future growth of the Company and any potential capital appreciation arising from the exercise of the Warrants, depending on the future performance of Bioalpha Shares.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

5.1 Overview and outlook of the Malaysian economy

In 2015, global growth moderated amid heightened international financial market volatility. Throughout the year, the global economic and financial environment was shaped by three major developments. First, global commodity prices fell sharply to post-crisis lows, with significant repercussions for global growth and inflation. Second, international financial markets experienced heightened volatility amid policy shifts in the major economies and concerns over the slowing momentum of global growth, sovereign debt in the euro area, and the fall in commodity prices. Third, global growth moderated as the modest improvements in growth in the advanced economies were insufficient to offset the lower growth in emerging economies. Growth was also uneven across the advanced economies. Despite the challenging economic environment in 2015, the Malaysian economy registered a growth of 5.0%, supported by continued expansion in domestic demand.

The international economic and financial landscape is likely to remain challenging in 2016 and will be a key factor that will influence the prospects of the Malaysian economy. Depending on their nature, global developments can pose both upside and downside risks to the Malaysian economic growth. The Malaysian economy is expected to grow by 4.0 - 4.5% in 2016.

(Source: Bank Negara Malaysia Annual Report 2015)

In the second quarter of 2016, the global economy expanded at a more moderate pace, with uneven growth momentum across economies. Growth remained modest in the advanced economies amid continued cyclical and structural weaknesses. In Asia, economic expansion was supported by domestic demand, but was weighed down by persistent weakness in export performance. While the initial impact from the result of the United Kingdom's European Union referendum created uncertainty and heightened risk aversion, financial market volatility has since subsided. Amid continued growth concerns and low inflation, several major and regional central banks conducted further easing to support economic activity.

The Malaysian economy registered a growth of 4.0% in the second quarter of 2016 (1Q 2016: 4.2%). Despite the stronger expansion in domestic demand, growth was weighed down by the continued decline in net exports and a significant drawdown in stocks. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 0.7% (1Q 2016: 1.0%).

Private sector activity remained the key driver of growth, expanding at a faster pace of 6.1% in the second quarter (1Q 2016: 4.5%). Private consumption grew by 6.3% (1Q 2016: 5.3%), supported by continued wage and employment growth as well as the additional disposable income from Government measures. Private investment grew at a faster pace of 5.6% (1Q 2016: 2.2%), driven mainly by continued capital spending in the services and manufacturing sectors. Public investment growth turned around to register a positive growth of 7.5% (1Q 2016: -4.5%), on account of higher spending on fixed assets by both the Federal Government and public corporations. Growth of public consumption also improved in the second quarter to 6.5% (1Q 2016: 3.8%), due mainly to higher spending on supplies and services.

Going forward, global economic activity is expected to remain subdued despite unprecedented easing of monetary conditions in major and regional economies. The pace of expansion in the advanced economies is expected to remain modest, while in Asia, domestic demand will continue to underpin growth. Further bouts of financial market volatility resulting from rising concerns on the United States of America presidential elections and increased risks of political contagion following the United Kingdom's European Union referendum could materially affect the markets through international capital flows. Overall global economic conditions have become increasingly challenging, with higher downside risks.

Growth of the Malaysian economy is expected to be 4-4.5%. Domestic demand will continue to be the main driver of growth, supported primarily by private sector spending. Private consumption is projected to expand further, underpinned by continued growth in wages and employment, as well as additional disposable income from Government measures. While the growth in private investment has moderated due to lower capital expenditures in the oil and gas sector, overall investment will remain supported by the implementation of infrastructure development projects and capital spending in the manufacturing and services sectors. Exports are projected to remain weak given the subdued global demand. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2016, Bank Negara Malaysia published on 19 August 2016)

5.2 Overview and prospects of the health supplement industry and market in Malaysia

In 2015, the health supplement manufacturing industry in Malaysia rose to RM997.30 million. Smith Zander forecasts the health supplement manufacturing industry in Malaysia to grow to RM1.38 billion by 2018, representing a CAGR of 11.54% between 2016 and 2018. This is driven by the increasing income of the population, rapid urbanisation in the country, an ageing society as well as overall increased health awareness in Malaysia. In addition, the health supplement manufacturing industry is also expected to continue to benefit from Government initiatives, incentives and grants for the development and commercialisation of health supplement products.

Moving forward, the industry is expected to be driven by the increasing income of the population. Malaysia is an upper-middle income developing economy with aspirations to achieve developed status by the year 2020. Gross domestic product per capita increased by 25.9% from approximately RM28,733 in 2010 to RM37,324 in 2015. The Economic Transformation Program (2011-2020) was launched in an effort to promote Malaysia into an inclusive and sustainable high-income country by the year 2020, with the goal of raising the per capita disposable income of the population to approximately RM48,000 by 2020. This increase in income is leading to a rise in a more affluent population that has greater spending power. As a result, consumer purchases are diversifying from staple food products to more expensive and quality purchases, which include products with health benefits such as herbal and non-herbal supplement products, as well as functional foods. An increase in demand for these health supplement products will contribute to the overall growth of the domestic health supplement manufacturing industry.

Rapid urbanisation and an ageing society is expected to continue to drive the increase in health awareness and subsequently the market acceptance of health supplements. Overall, the total population has been forecasted to reach 31.7 million persons in 2016, with the average age of the population in Malaysia increasing over the years. Malaysia's percentage of young population (0 to 14 years) in the country has decreased from 27.4% in 2010 to 25.0% in 2015 (forecast 2016: 24.5%) while its ageing population (65 years and above) has increased from 5.0% of the total population in 2010 to 5.9% of the total population in 2015 (forecast 2016: 6.0%). This is expected to drive the health supplement manufacturing industry as the older generation are generally more health conscious with greater awareness of their mortality, creating higher demand for healthcare-related products including herbal and non-herbal supplements, as well as functional foods.

Rapid urbanisation has also led to a change in lifestyle of the population in Malaysia, to becoming increasingly busy as more women join the labour workforce and people work longer hours. As such, convenience has become essential, leading to an increase in the intake of processed and fast foods, and a sedentary lifestyle. This growing change in lifestyle is a concern in all developing countries as the population finds it increasingly difficult to balance their health with their stressful lifestyles. In this aspect, health supplements, particularly herbal and non-herbal supplements, is a time-saving avenue for individuals to supplement their nutritional requirements which they lack due to their hectic schedules. As the population in Malaysia become increasingly aware of the benefits of health supplements, it is expected that they will become more receptive to the consumption of health supplement products. Furthermore, it should also be noted that the working population in Malaysia (15 to 64 years) comprise the largest proportion in the country, i.e. 69.1% in 2015, and thus an increase in the adoption rate of health supplements in this segment of the population will increase the sales of health supplements significantly.

The health supplement market size in Malaysia is defined as the sum of domestic manufacturing by local industry players and imports, net of any exports by local industry players, and denotes consumption of health supplement products in the country. This is to be differentiated from the health supplement manufacturing industry discussed earlier in Section 5.2 of the Circular, where it represents the revenues earned from the manufacturing of health supplements by local industry players.

The health supplement market in Malaysia has demonstrated positive growth over the last seven (7) years, from RM2.64 billion in 2009 to RM3.72 billion in 2015, representing a CAGR of 5.88% or an overall growth of 40.91% in seven (7) years.

Moving forward, the health supplement market in Malaysia is estimated to grow to RM3.95 billion in 2016, and reach RM4.46 billion by 2018. The health supplement market in Malaysia is forecast to grow at a CAGR of 6.26% between 2016 and 2018.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated September 2016 prepared by Smith Zander)

5.3 Overview and prospects of the health supplement industry and market in Indonesia

The health supplement market in Indonesia grew from USD721.16 million (RM2.54 billion¹) in 2009 to USD1.49 billion (RM5.82 billion²) in 2015, registering a CAGR of 12.85% during the same period. Much of this growth is attributed to the same factors driving the global demand for health supplements. Indonesians, particularly middle to high income earners, are increasingly gaining awareness on preventive health measures, and are becoming more receptive towards health supplement products. This is also in line with the rising urbanisation within the country. Indonesia's population in 2014 was 252.2 million persons and the percentage of urban population within the country was approximately 53.00% during the same time period, translating to about 133.7 million persons in urban areas. Indonesia's large population and strong internal consumption indicates rising market potential for health supplement products.

Moving forward, the health supplement market in Indonesia is estimated to grow to USD1.68 billion (RM6.56 billion³) in 2016, and reach USD2.13 billion (RM8.33 billion⁴) by 2018. The health supplement market in Indonesia is forecast to grow at a CAGR of 12.70% between 2016 and 2018.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated September 2016 prepared by Smith Zander)

5.4 Overview and prospects of the health supplement industry and market in China

The health supplement market in China, measured by retail value of health food, grew from USD13.34 billion (RM47.01 billion¹) in 2009 to USD92.79 billion (RM362.57 billion²) in 2015, registering a strong CAGR of 38.16%. China currently dominates the global health supplement market as it is the fastest growing geographical region. Chinese consumers are health conscious and are willing to pay a premium price for quality and health-based products. The health supplement market in China is experiencing robust growth as it is not as mature as other major markets such as the United States of America. A rapidly ageing population, increasing urbanisation, growing disposable income and changing lifestyles are factors which contribute to the increased consumption of health supplements and functional foods in China.

Moving forward, the health supplement market in China is estimated to grow to USD124.32 billion (RM485.74 billion³) in 2016, and reach USD221.57 billion (RM865.74 billion⁴) by 2018. The health supplement market in China is forecast to grow at a CAGR of 33.50% between 2016 and 2018.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated September 2016 prepared by Smith Zander)

5.5 Overview and prospects of the herbal plant cultivation industry in Malaysia

Over the past 5 years, the herbal plant cultivation industry in Malaysia has been growing, with production volume of herbal plants increasing from 41,380 metric tonnes in 2011 to 70,172 metric tonnes in 2015. The volume of herbal plants produced registered a CAGR of 14.12% during the period.

¹ Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236.

² Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.

³ Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.

⁴ Exchange rate from USD to RM in 2018 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.

The Ministry of National Resources and Environment estimates the market for herbal plants to expand by 15.00% from RM7.0 billion in 2010 to reach RM29.0 billion in 2020. Herbal plant cultivation in Malaysia is expected to be driven by the growing health supplement market in both Malaysia and global markets. As mentioned in Sections 5.2, 5.3 and 5.4 of this Circular above, the prospects for growth of demand for health supplements are positive, owing to the healthy long-term economic growth, growing ageing society, overall increased health awareness and/or government initiatives, incentives and grants.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China, dated September 2016 prepared by Smith Zander)

5.6 Future prospects of the Bioalpha Group

Presently, the Bioalpha Group is an integrated health supplement provider which has the capabilities to produce raw materials used in its production processes formulates and manufactures its own products which qualify for halal certification and commercialises its products via its sale under the banner of the in-house "Constant" pharmacy as well as other third-party pharmacies. In addition, a portion of the Bioalpha Group's business operations includes that of acting as an original equipment manufacturer. This involves the manufacturing and/or product packing of products which are developed by its customers. In this process, the ingredients, supplies and consumables used in this manufacturing process could be sourced by the Bioalpha Group or provided by the customer. As at 30 September 2016, the production facilities of the Bioalpha Group are located in Bangi, Selangor (which has an aggregate built-up area of approximately 13,737 square feet) while the primary processing plant of the Bioalpha Group is located in Pasir Raja, Terengganu (and has a built-up area of approximately 4,500 square feet). The Bioalpha Group's new packaging facility to be commissioned and located in Kampar, Riau, Indonesia (which has an aggregate built-up area of approximately 5,000 square feet) is expected to commence operations within 1 month from obtaining the necessary licenses from the relevant approving authorities. The said licence applications have been submitted to and are currently being processed by the relevant approving authorities.

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The aggregate production capacity and utilisation rates of the material equipment of the manufacturing operations of the Bioalpa Group as at 31 December 2014, 31 December 2015 and as at 30 September 2016 are as follows:

Equipment	Description	Estimated annual production capacity as at 31 December 2014	Utilisation rates for the FYE 2014	Estimated annual production capacity as at 31 December 2015	Utilisation rates for the FYE 2015	Estimated 9-month production capacity as at 30 September 2016	Utilisation rates for the FPE 30 September 2016
		Units	%	Units	%	Units	%
Bioreactor (fermentation)	Apparatus involved in the liquid fermentation of medicinal mushrooms	⁽¹⁾ 9,125	36.82	⁽¹⁾ 9,125	76.33	⁽¹⁾ 6,825	48.50
Sachet (liquid and powder)	Machinery involved in measuring, sieving, separating, filtering and filling of liquid and powdered mixes into sachets	⁽²⁾ 8,985,600	56.37	⁽²⁾ 8,985,600	50.79	⁽²⁾ 6,739,200	40.63
Bottle (liquid)	Machinery involved in the filling and capping of bottles	⁽²⁾ 1,497,600	35.74	⁽²⁾ 1,497,600	28.47	⁽²⁾ 1,123,200	26.71
Encapsulation (bottle and blister pack)	Machinery involved in the filling, counting and blister packing capsules	⁽²⁾ 31,449,600	10.79	⁽²⁾ 31,449,600	35.02	⁽²⁾ 23,587,200	30.99
Teabag	Machinery involved in manufacturing products in teabag packaging forms	⁽²⁾ 7,488,000	48.91	⁽²⁾ 7,488,000	15.09	⁽²⁾ 5,616,000	18.08
Tablet	Machinery involved in tableting, tablet hardness testing and tablet pressing	⁽³⁾ 31,261,500	91.38	⁽²⁾ 50,018,400	21.28	⁽²⁾ 37,513,800	60.15

Notes:

(1) Based on 5 days processing time per batch of fermented medicinal mushroom.

(2) Based on an 8 hour shift over a 6 working day week.

(3) An additional production line was commissioned in July 2014.

In addition, research and development represents an important factor towards formulating new products, maintaining sustainable business growth, improvements in earnings, maintaining competitiveness and expansion of markets for the Bioalpha Group. As at the LPD, the Bioalpha Group has in place a research and development team comprising of 8 personnel comprising of a scientist, 2 registered chemists, a registered pharmacist, 2 nutritionists and 2 registered biotechnologists. The research and development expenditure (which includes research and development staff costs but excludes research and development expenses reimbursable by grants) incurred by the Bioalpha Group for the past 3 FYE 2013 to 2015 and the 6-month FPE 30 June 2016 are as follows:

	FYE 2013	FYE 2014	FYE 2015	FPE 30
	RM'000	RM'000	RM'000	June 2016
				RM'000
Research and development expenditure	4,755	3,516	6,234	6,060
Percentage of revenue	19.35	12.97	20.98	32.11

Based on the audited financial statements of the Bioalpha Group for the FYE 2015, the Bioalpha Group has generated 21.07% of its revenue from the Malaysian market, while the Indonesian and Chinese market had contributed 48.50% and 28.02% respectively. The remaining revenue for the FYE 2015 was derived from the sales of the Bioalpha Group's products to other countries, namely Singapore and Taiwan.

The Bioalpha Group's products comply with the requirements for Halal certification from the Jabatan Kemajuan Islam Malaysia, allowing it to tap into the potential in Muslim populations. Moving forward, the Bioalpha Group intends to continue its focus on the Indonesian market as its core overseas market. Based on a market study conducted by the Company, the health supplement industry in Indonesia is anticipated to grow in tandem with the increasing middle income population in the country. The Bioalpha Group intends to launch 12 new products to the Indonesian market over the next 18 months, focusing on products which enhance aesthetics and are diet-related in nature.

In addition, the Bioalpha Group intends to supplement its revenue derived from overseas markets by further strengthening its footing in the Chinese market. Presently, the Bioalpha Group sells its products in southern China, mainly in Guangzhou and Shenzhen. The Bioalpha Group intends to target the provinces in western China, such as Xinjiang, Qinghai, Shaanxi and Gansu, the population of which are majority Muslims and the demand for Halal certified health supplement products have been increasing. In order to capitalise on this increase in demand, the Bioalpha Group intends to launch 5 new products over the next 12 months, focusing on functional food products which improve the immune system, respiratory functions and general health.

The Bioalpha Group is also focused on the local health supplement industry in Malaysia. The acquisition of Mediconstant Holding Sdn Bhd, which was completed on 21 January 2016, had provided the Bioalpha Group with an alternative avenue for the sales of its products. In view of providing a more comprehensive range of products to its customers, the Bioalpha Group intends to launch 10 new products over the next 18 months to the Malaysian market. These new products would focus on the improvement of general health, immune system, respiratory functions and anti-ageing purposes.

The Bioalpha Group has estimated that the launch of the abovementioned new products will require approximately RM13.50 million which will be fully funded through the proceeds to be raised from the Proposed Rights Issue with Warrants.

In addition to the above, the Bioalpha Group will also continue its efforts to develop the Pasir Raja Land following the Bioalpha Group's appointment by the East Coast Economic Region Development Council in 2014. The development of the Pasir Raja Land was divided into 2 phases, the first phase being the development of 123.5 acres while the second phase being the development of the remaining 879.7 acres. The total cost for the development of phase 1 is RM3.80 million, which was completed during the FYE 2015, while the development cost for phase 2 is estimated to be RM10.0 million and is anticipated to complete in the year 2018. The Bioalpha Group has commenced land clearing for development of phase 2 of the Pasir Raja Land. Once planting is completed on the phase 2 portion of the Pasir Raja Land, maturity of plants is expected to be reached in 2020. Through this initiative, the Bioalpha Group is able to monitor the availability of raw materials available to minimise disruptions in its production cycle.

6. EFFECTS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

6.1 Share capital

The pro forma effects of the Proposed Rights Issue with Warrants on the issued and paid-up share capital of Bioalpha are as follows:

	No. of shares	RM
Issued and paid-up share capital as at the LPD	666,665,655	33,333,283
Bioalpha Shares to be issued pursuant to the Proposed Rights Issue with Warrants	133,333,131	6,666,656
After the Proposed Rights Issue with Warrants	799,998,786	39,999,939
New Bioalpha Shares to be issued arising from the full exercise of the Warrants	133,333,131	6,666,656
Enlarged issued and paid-up share capital	933,331,917	46,666,595

The Warrants to be issued pursuant to the Proposed Rights Issue with Warrants will not have an immediate effect on the issued and paid-up share capital of the Company. However, the issued and paid-up capital of Bioalpha will increase progressively depending on the number of new Bioalpha Shares to be issued pursuant to the exercise of the Warrants, if any.

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6.2 Net assets ("NA") and gearing

The pro forma effects of the Proposed Rights Issue with Warrants on the audited NA of the Bioalpa Group based on its latest audited consolidated financial statement as at 31 December 2015 is set out below:

	Audited as at 31 December 2015 (RM)	(I) Subsequent events ⁽¹⁾ (RM)	After (I) and the Proposed Rights Issue with Warrants (RM)	(II) After (II) and assuming full exercise of the Warrants (RM)	(III) After (II) and assuming full exercise of the Warrants (RM)
Share capital	23,170,656	(2) 33,333,283	(4) 39,999,939	(6) 46,666,595	(6) 46,666,595
Share premium	24,361,905	(3) 24,566,535	(4)(5) 26,124,632	(6) 66,577,905	(6) 66,577,905
Merger deficits	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)
Warrants reserves	-	-	(4) 19,119,971	-	-
Retained earnings	36,439,983	36,439,983	36,439,983	36,439,983	36,439,983
Shareholders' funds / NA	79,003,414	89,370,671	116,715,395	144,715,353	144,715,353
No. of Bioalpa Shares in issue	463,413,114	666,665,655	799,998,786	933,331,917	933,331,917
NA per Bioalpa Share (RM)	0.17	0.13	0.15	0.16	0.16
Total borrowings (RM)	1,932,085	4,471,577	4,471,577	4,471,577	4,471,577
Gearing (times)	0.02	0.05	0.04	0.03	0.03

Notes:

- (1) After the acquisition of Mediconstant Holding Sdn Bhd which was completed on 21 January 2016, private placement of 17,718,962 Bioalpa Shares at an issue price of RM0.33 per Bioalpa Share which was completed on 12 February 2016 and the Bonus Issue which was completed on 13 September 2016.
- (2) After accounting for the issuance of 18,867,924 Bioalpa Shares as full consideration for the acquisition of Mediconstant Holding Sdn Bhd at an issue price of RM0.265 per Bioalpa Share, the issuance of 17,718,962 Bioalpa Shares pursuant to the private placement of Bioalpa Shares at an issue price of RM0.33 per Bioalpa Share and the issuance of 166,665,655 new Bioalpa Shares pursuant to the Bonus Issue.
- (3) After deducting RM130,000 for expenses relating to the acquisition of Mediconstant Holding Sdn Bhd, RM150,000 for expenses relating to the private placement of Bioalpa Shares and RM200,000 for expenses relating to the Bonus Issue.
- (4) After accounting for the issuance of 133,333,131 Rights Shares and the warrants reserve based on the issuance of 133,333,131 Warrants. The Rights Shares are assumed to be issued at an indicative Issue Price of RM0.21 per Rights Share while the fair value of the Warrants is assumed to be approximately RM0.1434 per Warrant estimated using the Black-Scholes options pricing model.
- (5) After deducting RM655,234 for expenses relating to the Proposed Rights Issue with Warrants.
- (6) After accounting for the issuance of 133,333,131 new Bioalpa Shares arising from the exercise of Warrants. The Warrants are assumed to be exercised at an indicative Exercise Price of RM0.21 per Warrant.

6.3 Substantial shareholders' shareholdings

The proforma effects of the Proposed Rights Issue with Warrants on the shareholdings of the substantial shareholders of the Company are set out below:

Scenario 1 – Assuming the Undertakings and Additional Undertakings are called upon and that all other shareholders save for the Undertaking Shareholders will not subscribe for their respective entitlement of Rights Shares

Substantial shareholders	(I) After the Proposed Rights Issue with Warrants				(II) After (I) and assuming full exercise of the Warrants				
	As at the LPD		Direct		Indirect		Direct		
	Bioalpa Shares	%	Bioalpa No. of Shares	%	Bioalpa No. of Shares	%	Bioalpa No. of Shares	%	
Hon Tian Kok @ William	118,991,940	17.85	-	-	163,122,705	20.39	-	207,253,470	22.21
MTDC	107,203,892	16.08	-	-	107,203,892	13.40	-	107,203,892	11.49
PNS	68,755,505	10.31	-	-	157,957,871	19.74	-	247,160,237	26.48

Scenario 2 – Assuming that all entitled shareholders will subscribe for their respective entitlement of Rights Shares

Substantial shareholders	(I) After the Proposed Rights Issue with Warrants				(II) After (I) and assuming full exercise of the Warrants				
	As at the LPD		Direct		Indirect		Direct		
	Bioalpa Shares	%	Bioalpa No. of Shares	%	Bioalpa No. of Shares	%	Bioalpa No. of Shares	%	
Hon Tian Kok @ William	118,991,940	17.85	-	-	142,790,328	17.85	-	166,588,716	17.85
MTDC	107,203,892	16.08	-	-	128,644,671	16.08	-	150,085,450	16.08
PNS	68,755,505	10.31	-	-	82,506,606	10.31	-	96,257,707	10.31

6.4 Earnings and EPS

The Proposed Rights Issue with Warrants is not expected to have a material effect on the earnings of the Bioalpha Group for the financial year ending 31 December 2016 as the Proposed Rights Issue with Warrants is only expected to be completed by the first quarter of 2017. Proceeds to be raised are expected to be utilised within 18 months from the completion date of the Proposed Rights Issue with Warrants.

The effect of the Proposed Rights Issue with Warrants on the future earnings of the Bioalpha Group will depend on the eventual returns derived from the utilisation of proceeds. However, the EPS of the Bioalpha Group may be diluted as a result of the increase in the number of Bioalpha Shares in issue after the Proposed Rights Issue with Warrants and the new number of Bioalpha Shares arising from the exercise of the Warrants in the future.

6.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Shares transacted for the past 12 months from October 2015 to September 2016 are as follows:

	High RM	Low RM
2015		
October	0.320	0.270
November	0.340	0.300
December	0.325	0.285
2016		
January	0.360	0.300
February	0.350	0.320
March	0.450	0.330
April	0.420	0.345
May	0.405	0.345
June	0.390	0.360
July	0.410	0.370
August	0.390	0.360
September	0.380	0.255

The last transacted market price of the Shares immediately prior to the announcement of the Proposed Rights Issue with Warrants on 7 September 2016 0.375

The last transacted market price of the Shares as at the LPD 0.240

(Source: Bloomberg)

8. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The Proposed Rights Issue with Warrants is subject to and conditional upon approvals being obtained from the following:

- (i) Bursa Securities, which was obtained vide its letter dated 13 October 2016, for the following:
 - (a) Listing of and quotation for the 133,333,131 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
 - (b) Admission to the Official List of Bursa Securities and the listing of and quotation for the 133,333,131 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
 - (c) Listing of and quotation for up to 133,333,131 new Bioalpha Shares to be issued arising from the exercise of the Warrants; and

The approval from Bursa Securities for the Proposed Rights Issue with Warrants is subject to the following conditions:

No.	Conditions imposed	Status of compliance
(1)	Bioalpha and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants.	To be complied.
(2)	Bioalpha and HLIB to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants.	To be complied.
(3)	Bioalpha to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed.	To be complied.
(4)	Bioalpha to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied.
(5)	The Proposed Rights Issue with Warrants issued to the Promoters (as defined in the Prospectus dated 26 May 2015) are subject to the same moratorium as imposed by Bursa Securities pursuant to the Initial Public Offering of Bioalpha.	To be complied.

The following information on the Proposed Rights Issue with Warrants that are subject to the moratorium are to be submitted to Bursa Depository upon the announcement of the Book Closure Date for the Proposed Rights Issue with Warrants:

- (a) the names of the shareholders;
 - (b) the number of Rights Shares; and
 - (c) the date of expiry of the moratorium.
- (ii) the shareholders of Bioalpha at an EGM to be convened for the Proposed Rights Issue with Warrants.

The Proposed Rights Issue with Warrants is not conditional upon any other corporate exercises of the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the directors and/or major shareholders of Bioalpha and/or persons connected with them has any interest, direct or indirect, in the Proposed Rights Issue with Warrants, save for their respective entitlements as shareholders of Bioalpha under the Proposed Rights Issue with Warrants, for which all the existing shareholders of Bioalpha are also entitled to.

10. DIRECTORS' STATEMENTS AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Rights Issue with Warrants, including but not limited to the rationale for and effects of the Proposed Rights Issue with Warrants, is of the opinion that the Proposed Rights Issue with Warrants is in the best interest of Bioalpha.

Accordingly, the Board recommends that the shareholders vote in favour of the resolution pertaining to the Proposed Rights Issue with Warrants to be tabled at the forthcoming EGM of the Company.

11. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Rights Issue with Warrants which is subject of this Circular and the Share Issuance Scheme, the Board confirms that there are no other proposals which have been announced by the Company and are pending completion prior to the printing of this Circular.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the required approvals being obtained, the Proposed Rights Issue with Warrants is expected to be completed by the first quarter of 2017. The tentative timetable in relation to the implementation of the Proposed Rights Issue with Warrants is as follows:

Tentative Timeline	Event
15 November 2016	EGM
End November 2016	Announcement of entitlement date for the Proposed Rights Issue with Warrants
Early December 2016	Entitlement Date
Early December 2016	Despatch of Abridged Prospectus, notice of provisional allotment and rights subscription form
End December 2016	Closing of application for Proposed Rights Issue with Warrants
Early January 2017	Listing of and quotation for the Rights Shares and Warrants on the ACE Market of Bursa Securities

13. EGM

The EGM of the Company, the notice of which is enclosed with this Circular, will be held at Meeting Hall, Mawar Room, Level 1, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Tuesday, 15 November 2016 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and if thought fit, approving, with or without modifications, the resolution on the Proposed Rights Issue with Warrants.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event, to reach the office of our Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Please refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of the Board
BIOALPHA HOLDINGS BERHAD

HON TIAN KOK @ WILLIAM
Managing Director / Chief Executive Officer

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



17 October 2016

The Board of Directors
Bioalpha Holdings Berhad
 No. 10, Jalan P/9A
 Seksyen 13
 43650 Bandar Baru Bangi
 Selangor Darul Ehsan

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

 Phone +60 3 2279 3088
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Dear Sirs,

BIOALPHA HOLDINGS BERHAD (“BIOALPHA” OR “THE COMPANY”) AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS “BIOALPHA GROUP” OR “THE GROUP”) PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015, together with the accompanying notes thereto which have been prepared by the Directors of the Company (“Directors”).

The Pro Forma Consolidated Statement of Financial Position is prepared for illustrative purposes only and for the inclusion in the circular to the shareholders of Bioalpha (“Circular”) in connection with the proposed rights issue with warrants of 133,333,131 new ordinary shares of RM0.05 each in Bioalpha (“Bioalpha Shares”) (“Rights Shares”) together with 133,333,131 free new detachable warrants (“Warrants”) at an issue price to be determined later on the basis of one (1) Rights Share for every five (5) existing Bioalpha Shares held together with one (1) Warrant for every one (1) Rights Share subscribed (“Proposed Rights Issue with Warrants”).

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors to illustrate the impact of the Proposed Rights Issue with Warrants on the Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 had the Proposed Rights Issue with Warrants been effected on that date, set out in Appendix A and the notes set out in the accompanying Notes 2 to 19 to the Pro Forma Consolidated Statement of Financial Position in this letter.

As part of this process, information about the financial position has been extracted by the Directors from the relevant financial statements as at 31 December 2015, on which an audit report has been published.

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT
31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



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The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in the accompanying notes thereto.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis set out in the accompanying notes thereto.

We conducted our engagement in accordance with the International Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with the ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors have compiled, in all material respects, the Pro Forma financial information on the basis set out in the accompanying notes thereto.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position.

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

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



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

- The related Pro Forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT
31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



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Other Matters

This letter has been prepared for the purpose of inclusion in the Circular. Our work had been carried out in accordance with International Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Rights Issue with Warrants described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposed Rights Issue with Warrants.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'UHY'.

UHY

Firm Number: AF 1411

Chartered Accountants

A handwritten signature in black ink, appearing to be 'TAN TIAN WOOI'.

TAN TIAN WOOI

Approved Number: 2696/05/18 (J)

Chartered Accountant

Kuala Lumpur, Malaysia

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

BIOALPHA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

The Pro Forma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the audited Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 and also based on the assumptions that the following events had been effected on that date. The Pro Forma should be read in conjunction with the notes accompanying the Pro Forma Statements of Financial Position of the Group.

	Note	Audited as at 31.12.2015 RM	After subsequent events RM	Pro Forma I After the Proposed Rights Issue with Warrants RM	Pro Forma II After the full exercise of Warrants RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	26,902,893	28,871,334	32,371,334	32,371,334
Development expenditures		12,970,672	12,970,672	12,970,672	12,970,672
Goodwill on consolidation	6	-	5,334,030	5,334,030	5,334,030
		39,873,565	47,176,036	50,676,036	50,676,036
CURRENT ASSETS					
Biological assets		282,765	282,765	282,765	282,765
Inventories	7	4,664,363	7,545,662	7,545,662	7,545,662
Trade receivables	8	19,249,631	19,960,036	19,960,036	19,960,036
Other receivables	9	10,716,833	11,362,685	11,362,685	11,362,685
Tax recoverable	10	140,592	425,707	425,707	425,707
Fixed deposits with licensed banks		7,965,440	7,965,440	7,965,440	7,965,440
Cash and bank balances	11	5,803,544	11,459,317	35,304,041	63,303,999
		48,823,168	59,001,612	82,846,336	110,846,294
Total Assets		88,696,733	106,177,648	133,522,372	161,522,330



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

BIOALPHA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)

	Note	Audited as at 31.12.2015 RM	After subsequent events RM	Pro Forma I After the Proposed Rights Issue with Warrants RM	Pro Forma II After the full exercise of Warrants RM
EQUITY					
Share capital	12	23,170,656	33,333,283	39,999,939	46,666,595
Share premium	13	24,361,905	24,566,535	26,124,632	66,577,905
Merger deficits		(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)
Warrant reserves	14	-	-	19,119,971	-
Retained earnings		36,439,983	36,439,983	36,439,983	36,439,983
		79,003,414	89,370,671	116,715,395	144,715,353
		(277,262)	(277,262)	(277,262)	(277,262)
Non controlling interests		78,726,152	89,093,409	116,438,133	144,438,091
NON-CURRENT LIABILITIES					
Finance lease liabilities	15	249,824	252,879	252,879	252,879
Bank borrowings	16	691,707	2,678,165	2,678,165	2,678,165
Deferred tax liabilities	17	2,645,605	2,655,913	2,655,913	2,655,913
		3,587,136	5,586,957	5,586,957	5,586,957



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

BIOALPHA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)

	Note	Audited as at 31.12.2015 RM	After subsequent events RM	Pro Forma I After the Proposed Rights Issue with Warrants RM	Pro Forma II After the full exercise of Warrants RM
CURRENT LIABILITIES					
Trade payables	18	178,159	4,091,943	4,091,943	4,091,943
Other payables	19	5,134,136	5,784,210	5,784,210	5,784,210
Amount owing to a Director		22,049	22,049	22,049	22,049
Finance lease liabilities	15	144,126	156,103	156,103	156,103
Bank borrowings	16	846,428	1,384,430	1,384,430	1,384,430
Tax payable		58,547	58,547	58,547	58,547
		6,383,445	11,497,282	11,497,282	11,497,282
		9,970,581	17,084,239	17,084,239	17,084,239
		88,696,733	106,177,648	133,522,372	161,522,330
Total Liabilities		463,413,114	666,665,655	799,998,786	933,331,917
Total Equity and Liabilities		RM0.05	RM0.05	RM0.05	RM0.05
Number of ordinary shares					
Par value of ordinary shares		79,003,414	89,370,671	116,715,395	144,715,353
NA (RM)					
NA per share (RM)		0.17	0.13	0.15	0.16
Borrowings (RM)		1,932,085	4,471,577	4,471,577	4,471,577
Gearing (times)		0.02	0.05	0.04	0.03



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

1. Basis of Preparation

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 of which the Directors of Bioalpha are solely responsible, has been prepared for illustration purposes only, to show the effects on the audited Consolidated Statement of Financial Position of Bioalpha Group had the Proposed Rights Issue with Warrants been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 has been prepared based on the audited Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015, which have been prepared by the Directors in accordance with the Malaysian Financial Reporting Standards.

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group has been prepared in a manner consistent with both the format of the financial statements and the accounting policies of Bioalpha as disclosed in the Bioalpha Group's audited consolidated financial statements for the financial year ended 31 December 2015, which have been prepared by the Directors in accordance with the Malaysian Financial Reporting Standards.

2. Adjustment for Subsequent Events

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group has been prepared assuming the following subsequent events up to 15 August 2016, being the latest practicable date ("LPD") are incorporated as at 31 December 2015:

(a) Acquisition of Subsidiary Company

On 18 December 2015, Botanical Distribution Sdn. Bhd., a wholly-owned subsidiary of Bioalpha, had entered into a Sale of Shares Agreement with Ng See Hein and Loh Peng Yeow for the acquisition of the entire equity interest in Mediconstant Holding Sdn. Bhd. ("MHSB") for a purchase consideration of RM5,000,000 which has been satisfied via the issuance of 18,867,924 Bioalpha Shares at an issue price of RM0.265 each ("Acquisition"). The Acquisition was completed on 21 January 2016.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

2. Adjustment for Subsequent Events (Cont'd)

(b) Private Placement

On 16 December 2015, Bioalpha had announced that the Company proposes to undertake a private placement of 17,718,962 new Bioalpha Shares ("Placement Shares") ("Private Placement"). On 29 January 2016, the Company had announced that the issue price of the Placement Shares has been fixed at RM0.33 per Placement Share. The Private Placement was completed on 12 February 2016.

(c) Bonus issue

On 27 May 2016, Bioalpha had announced, amongst others, a bonus issue of 166,665,655 Bioalpha Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every three (3) existing Bioalpha Shares held ("Bonus Issue"). The Bonus Issue was completed on 13 September 2016.

(d) Estimated expenses to be incurred

The estimated expenses relating to the Acquisition, Private Placement and Bonus Issue amount to RM130,000, RM150,000 and RM200,000 respectively (The Acquisition, Private Placement and Bonus Issue shall collectively be referred to as the "Subsequent Events").

3. Proposed Rights Issue with Warrants

The Pro Forma Consolidated Statement of Financial Position of the Group has been prepared assuming the Proposed Rights Issue with Warrants is effected on 31 December 2015. The Proposed Rights Issue with Warrants to be undertaken by Bioalpha is presented assuming all the Entitled Shareholders fully subscribe for their entitlements under the Proposed Rights Issue with Warrants.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

3. Proposed Rights Issue with Warrants (Cont'd)

Fair Value of Warrants

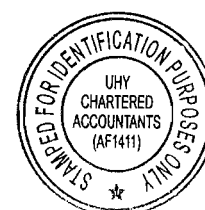
The fair value of each Warrants is assumed to be RM0.1434 based on the Black-Scholes option pricing model extracted from Bloomberg based on the following key assumptions:

a) Theoretical ex-all price up to and including the LPD	RM0.24 per Share
b) Exercise price	RM0.21 per Warrant
c) Tenure	Five (5) years
d) Volatility rate	63.28%
e) Risk-free interest rate	3.64%
f) Dividend rate	Nil

Utilisation of Proceeds from the Proposed Rights Issue with Warrants.

The proceeds arising from the Proposed Rights Issue with Warrants ("Proceeds") will be utilised in the following manner:

	Note	RM	Expected time frame for utilisation of proceed (from the date of listing of the Right Shares)
Launch of new products	(i)	13,500,000	Within 18 months
Capital expenditure	(ii)	3,500,000	Within 18 months
Expansion of agriculture business operations	(iii)	10,000,000	Within 18 months
Working Capital	(iv)	344,766	Within 6 months
Estimated expenses	(v)	655,234	Within 1 month
		<u>28,000,000</u>	



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

3. Proposed Rights Issue with Warrants (Cont'd)

Notes:

- (i) *The Group intends to utilise RM13.50 million of the proceeds raised from the Proposed Rights Issue with Warrants for the launch of new products. Presently, the 3 principal markets of the Group are Malaysia, Indonesia and China. It is anticipated that the demand for health foods and supplements in these markets are on an upward trend. Thus, the Group intends to launch new products in these markets to capitalise on this trend by providing its customers with a greater range of product offerings in efforts to increase the Bioalpha Group's profitability and garner greater market share. The proceeds proposed to be utilised for the launch of new products is expected to be allocated in the following manner:*

	RM'000
Purchase of raw materials	7,850
Packaging costs	2,950
Other ancillary costs	2,700
Total	13,500

- (ii) *In line with the business expansion plans of the Bioalpha Group to launch new products in Malaysia, Indonesia and China, capital expenditure is required for the purchase of new machineries to increase the production capacity of the Bioalpha Group. The new machineries proposed to be purchased will enable the Bioalpha Group to cater to the increase in supply required to cater for the launch of new products. These new machineries will be used in the production, packaging and storage of the new products and is anticipated to enhance the production efficiency of the Group.*
- (iii) *The Group is presently involved in the business of investing, developing and managing agricultural land for the cultivation of herbal plants as part of an initiative by the Government of Malaysia to boost the herbal agriculture industry. The Group has been awarded with an aggregate of 1,298.1 acres of agriculture land through this initiative, of which 1,003.2 acres are located in Pasir Raja, Terengganu and the remaining 294.9 acres located in Desaru, Johor. As at the LPD, 123.5 acres out of the 1,003.2 acres of agricultural land in Pasir Raja, Terengganu and 100 acres out of the 294.9 acres of agricultural land in Desaru, Johor are fully planted. The Group proposes to utilise RM10.0 million of the proceeds raised from the Proposed Rights Issue with Warrants to put on stream the remaining 879.7 acres of agriculture land located in Pasir Raja, Terengganu. The proceeds set aside for the Group's expansion of its agriculture business operations is allocated for land clearing costs, purchase of seeds, planting costs and the cost of extraction of herbs.*
- (iv) *The Group intends to utilise part of the proceeds raised from the Proposed Rights Issue with Warrants for general working capital purposes of the Group, including but not limited to payment of trade and other payables and other day-to-day expenses. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. In addition, the actual amount to be utilised for each component of working capital may differ subject to the operating requirements at the time of utilisation. Any additional working capital required by the Group would be funded via the Group's internally-generated funds and/or bank borrowings.*
- (v) *The estimated expenses relating to the Proposed Rights Issue with Warrants comprise of professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertisement and other ancillary expenses. If the actual expenses incurred are higher/lower than budgeted, the deficit/surplus will be funded from/contributed to the portion allocated for working capital purposes.*



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

4. Pro Forma I - Proposed Rights Issue with Warrants

Pro Forma I incorporates the effects of adjustment for subsequent events and the proposed rights issue of 133,333,131 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Bioalpha Shares held based on the indicative issue price of RM0.21 per Rights Share.

The fair value of each Warrant is assumed to be RM0.1434 based on the Black-Scholes option pricing model extracted from Bloomberg.

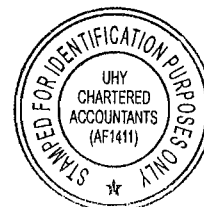
The Proceeds to be raised amounting to RM28.00 million are proposed to be utilised as described in Note 3.

5. Property, Plant and Equipment

	RM
As at 31 December 2015	26,902,893
Adjustment for Subsequent Events	1,968,441
As per Subsequent Events	<u>28,871,334</u>
Proposed Rights Issue of Shares with Warrants and utilisation of Proceeds	3,500,000
As per Pro Forma I and II	<u><u>32,371,334</u></u>

6. Goodwill on Consolidation

	RM
As at 31 December 2015	-
Adjustment for Subsequent Events	5,334,030
As per Subsequent Events and Pro Forma I and II	<u><u>5,334,030</u></u>



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

7. Inventories

RM

As at 31 December 2015	4,664,363
Adjustment for Subsequent Events	2,881,299
As per Subsequent Events and Pro Forma I and II	<u>7,545,662</u>

8. Trade Receivables

RM

As at 31 December 2015	19,249,631
Adjustment for Subsequent Events	710,405
As per Subsequent Events and Pro Forma I and II	<u>19,960,036</u>

9. Other Receivables

RM

As at 31 December 2015	10,716,833
Adjustment for Subsequent Events	645,852
As per Subsequent Events and Pro Forma I and II	<u>11,362,685</u>

10. Tax Recoverable

RM

As at 31 December 2015	140,592
Adjustment for Subsequent Events	285,115
As per Subsequent Events and Pro Forma I and II	<u>425,707</u>



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

11. Cash and Bank Balances

	RM
As at 31 December 2015	5,803,544
Adjustment for Subsequent Events	5,655,773
As per Subsequent Events	11,459,317
Proposed Rights Issue with Warrants	24,499,958
Estimated transaction costs	(655,234)
As per Pro Forma I	35,304,041
Assuming full exercise of the Warrants	27,999,958
As per Pro Forma II	63,303,999

Note:-

For illustration purposes, the proceeds for working capital is included in cash and bank balances when received.

12. Share Capital

	RM
As at 31 December 2015	23,170,656
Adjustment for Subsequent Events	10,162,627
As per Subsequent Events	33,333,283
Proposed Rights Issue with Warrants	6,666,656
As per Pro Forma I	39,999,939
Assuming full exercise of the Warrants	6,666,656
As per Pro Forma II	46,666,595



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

13. Share Premium

	RM
As at 31 December 2015	24,361,905
Adjustment for Subsequent Events	204,630
As per Subsequent Events	24,566,535
Proposed Rights Issue with Warrants	1,558,097
As per Pro Forma I	26,124,632
Assuming full exercise of the Warrants	40,453,273
As per Pro Forma II	66,577,905

14. Warrant Reserve

	RM
As at 31 December 2015	-
Proposed Rights Issue with Warrants	19,119,971
As per Pro Forma I	19,119,971
Assuming full exercise of the Warrants	(19,119,971)
As per Pro Forma II	-

15. Finance Lease Liabilities

	RM
As at 31 December 2015	393,950
Adjustment for Subsequent Events	15,032
As per Subsequent Events and Pro Forma I and II	408,982



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BIOALPHA AS AT 31 DECEMBER 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

16. Borrowings

RM

As at 31 December 2015	1,538,135
Adjustment for Subsequent Events	2,524,460
As per Subsequent Events and Pro Forma I and II	<u>4,062,595</u>

17. Deferred Tax Liabilities

RM

As at 31 December 2015	2,645,605
Adjustment for Subsequent Events	10,308
As per Subsequent Events and Pro Forma I and II	<u>2,655,913</u>

18. Trade Payables

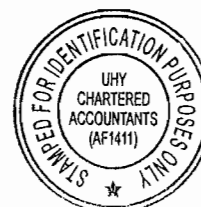
RM

As at 31 December 2015	178,159
Adjustment for Subsequent Events	3,913,784
As per Subsequent Events and Pro Forma I and II	<u>4,091,943</u>

19. Other Payables

RM

As at 31 December 2015	5,134,136
Adjustment for Subsequent Events	650,074
As per Subsequent Events and Pro Forma I and II	<u>5,784,210</u>



FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENTS

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirms that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS

HLIB, being the Adviser for the Proposed Rights Issue with Warrants has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs UHY, being the Reporting Accountants for the Proposed Rights Issue with Warrants has given and has not subsequently withdrawn its written consent to the inclusion of its name, letter of proforma consolidated statements of financial position of Bioalpha as at 31 December 2015, and all references thereto in the form and context in which they appear in this Circular.

Smith Zander International Sdn Bhd, being the Independent Market Researcher has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

HLIB confirms that it is not aware of any conflicts of interest that exist or are likely to exist in its capacity as the Adviser to the Company in connection with the Proposed Rights Issue with Warrants.

Messrs UHY confirms that it is not aware of any conflicts of interest that exist or are likely to exist in its capacity as the Reporting Accountants to the Company in respect of the Proposed Rights Issue with Warrants.

Smith Zander International Sdn Bhd confirms that it is not aware of any conflicts of interest that exist or are likely to exist in its capacity as the Independent Market Researcher to the Company.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**4.1 Material capital commitments**

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which may have a material impact on the profits or NA of the Group:

	Unaudited
	As at the LPD
	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>4,500</u>

FURTHER INFORMATION (Cont'd)

4.2 Contingent liabilities

As at the LPD, the Board is not aware of any other contingent liabilities incurred or known to be incurred by the Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/position of the Group.

5. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

- (a) Sale of shares agreement dated 18 December 2015 entered into between Botanical Distribution Sdn Bhd, a wholly owned subsidiary of the Company ("**Purchaser**") with Loh Peng Yeow and Ng See Hein ("**Vendors**") where by the Purchaser agreed to purchase 50,000 ordinary shares, being the entire issued and paid up capital of Mediconstant Holding Sdn Bhd from the Vendors for a purchase consideration of RM5,000,000 to be satisfied via the issuance of 18,867,924 ordinary shares of RM0.05 each in the Company to be allotted to the Vendors or their nominee at an issue price of RM0.265 each. This agreement was completed on 21 January 2016.

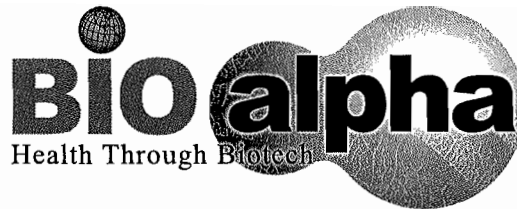
6. MATERIAL LITIGATION

As at the LPD, the Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of Bioalpha do not have any knowledge of proceedings pending or threatened against the Group, or of any fact likely to give rise to any proceeding, which might materially and adversely affect the financial position or business of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia during normal business hours (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) Memorandum and Articles of Association of Bioalpha;
- (ii) Audited consolidated financial statements of the Bioalpha Group for the past two FYE 31 December 2014 and FYE 31 December 2015, and the latest unaudited consolidated financial statements of Bioalpha for the 6-month FPE 30 June 2016;
- (iii) The proforma consolidated statement of financial position of the Bioalpha Group as at 31 December 2015 together with the Reporting Accountants' letter thereon, as set out in Appendix I of this Circular;
- (iv) The Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated October 2016 prepared by Smith Zander;
- (v) The draft Deed Poll;
- (vi) The letters of consent and declarations of conflict of interest referred to in Section 2 and Section 3 above; and
- (vii) The material contract referred to in Section 5 above.



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Bioalpha Holdings Berhad (“**Bioalpha**” or “**Company**”) will be held at Meeting Hall, Mawar Room, Level 1, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Tuesday, 15 November 2016 at 10.00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolution with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 133,333,131 NEW ORDINARY SHARES OF RM0.05 EACH IN BIOALPHA (“BIOALPHA SHARE(S)”) (“RIGHTS SHARE(S)”) TOGETHER WITH 133,333,131 FREE NEW DETACHABLE WARRANTS (“WARRANTS”) AT AN ISSUE PRICE TO BE DETERMINED LATER ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 5 BIOALPHA SHARES HELD TOGETHER WITH 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)

“**THAT**, subject to the approval-in-principle granted by Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and all other relevant authorities/ parties (if applicable) being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”):

- (i) to provisionally allot and issue by way of a renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 free new detachable Warrants to the registered shareholders of the Company whose names appear in the Record of Depositors at the close of business on a date to be determined by the Directors of the Company as they may deem fit, on the basis of 1 Rights Shares for every 5 existing Bioalpha Shares held and 1 Warrant for every 1 Rights Share subscribed;
- (ii) to determine the issue price of the Rights Shares after taking into consideration, amongst others, the discount to the issue price of not more than 25% to the theoretical ex-all price of the Bioalpha Shares (“**TERP**”) based on the five (5)-day volume weighted average market price (“**VWAMP**”) of the Bioalpha shares immediately preceeding the price-fixing date to be determined later by the Board, subject to the minimum par value of RM0.05 each;
- (iii) to determine the exercise price of the Warrants after taking into consideration, amongst others, the five (5)-day VWAMP of Bioalpha shares immediately preceeding the price-fixing date to be determined later by the Board, subject to the minimum par value of RM0.05 each, and wherein the exercise price of the Warrants may be fixed at a discount to the said TERP if deemed appropriate by the Board;
- (iv) to enter into and execute the deed poll constituting the Warrants (“**Deed Poll**”) and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll wherein each of the Warrant will carry the rights to subscribe, subject to any adjustment in accordance with the Deed Poll to be executed, at any time during the “Exercise Period” as defined in the Deed Poll, for one (1) new Bioalpha Share;

- (v) to issue and allot such number of new Bioalpha Shares pursuant to the exercise of the Warrants ("**New Shares**"), from time to time during the tenure of the Warrants, and such new Bioalpha Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the allotment and issuance of the New Shares; and
- (vi) to do all acts and things as they may consider necessary or expedient in the best interests of the Company with full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Rights Issue with Warrants;

THAT any fractional entitlements under the Proposed Rights Issue with Warrants will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion think fit and expedient or to be in the best interest of the Company;

THAT the Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares;

AND THAT the Board is hereby authorised to sign and empowered to give full effect to the aforesaid Proposed Rights Issue with Warrants with full power to assent to and accept any conditions, variations arrangements and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board to sign, execute and deliver on behalf of the Company, the Deed Poll and all such other documents with any party or parties and to take all such steps and to do all such acts, things and matters as it may deem fit, necessary and/or expedient in order to implement, finalise and give full effect to the Proposed Rights Issue with Warrants."

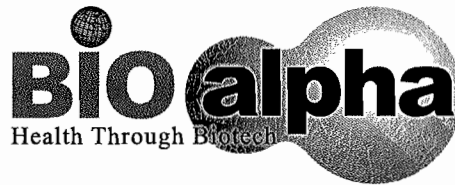
BY ORDER OF THE BOARD

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

Kuala Lumpur
31 October 2016

Notes:

1. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.
5. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 10.00 a.m., Sunday, 13 November 2016 or any adjournment thereof.
6. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 65(2), 65(3) & 65(4) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 9 November 2016. Only depositor whose name appears on the Record of Depositors as at 9 November 2016 shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.
7. Pursuant to Rules 8.31A of the Listing Requirements, the Ordinary Resolution set out in this Notice will be put to vote by poll.



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)
(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING

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

of _____
(Full address)

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

of _____

_____ or failing him/her,
(Full address)

of _____

as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Meeting Hall, Mawar Room, Level 1, Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia on Tuesday, 15 November 2016 at 10.00 a.m. for/against* the resolution to be proposed thereat. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

I/We direct my/our proxy to vote for or against the resolution to be proposed at the Extraordinary General Meeting as hereunder indicated.

Resolution	For	Against
Ordinary Resolution 1 - Proposed Rights Issue with Warrants		

Signed on this _____ day of _____ 2016

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	

Signature of Shareholder of Common
Seal

Notes:

- Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.
- The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 10.00 a.m., Sunday, 13 November 2016 or any adjournment thereof.
- For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 65(2), 65(3) & 65(4) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 9 November 2016. Only depositor whose name appears on the Record of Depositors as at 9 November 2016 shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.
- Pursuant to Rules 8.31A of the Listing Requirements, the Ordinary Resolution set out in this Notice will be put to vote by poll.



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AFFIX
STAMP

The Share Registrar
BIOALPHA HOLDINGS BERHAD
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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