

**BIOALPHA HOLDINGS BERHAD**  
**[Registration No. : 201101021398 (949536-X)]**  
**(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

**Registered office:**  
**Suite 10.02, Level 10**  
**The Gardens South Tower**  
**Mid Valley City**  
**Lingkaran Syed Putra**  
**59200 Kuala Lumpur**

**Principal place of business:**  
**No. 1, Jalan Perindustrian Suntrack**  
**Hub Perindustrian Suntrack**  
**Off Jalan P1A, Seksyen 13**  
**Bandar Baru Bangi**  
**43000 Kajang**  
**Selangor Darul Ehsan**

**BIOALPHA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

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**BIOALPHA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

**Principal Activities**

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

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

**Financial Results**

|                               | <b>Group<br/>RM</b> | <b>Company<br/>RM</b> |
|-------------------------------|---------------------|-----------------------|
| Profit for the financial year | <u>8,324,358</u>    | <u>6,079,658</u>      |
| Attributable to:              |                     |                       |
| Owners of the parent          | 8,315,531           | 6,079,658             |
| Non-controlling interests     | <u>8,827</u>        | <u>-</u>              |
|                               | <u>8,324,358</u>    | <u>6,079,658</u>      |

**Reserves and Provisions**

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

## **Dividends**

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

## **Issue of Shares and Debentures**

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

## **Treasury Shares**

During the financial year, the Company repurchased 761,800 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.19 per share. The total consideration paid for the repurchase, including transaction costs, was RM145,527. The repurchased transactions were financed by internal generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the total number of treasury shares held by the Company is 761,800 out of the total 860,209,032 issued ordinary shares. Further relevant details are disclosed in Note 17(a) to the financial statements.

## **Warrants**

The Warrants were constituted under the Deed Poll dated 23 November 2016 as disclosed in the Note 17(b) to the financial statements.

As at 31 December 2019, the total numbers of Warrants that remain unexercised were 133,332,785.

## **Options Granted Over Unissued Shares**

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

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

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

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

As at 31 December 2019, the total number of share options exercisable is 9,300,000.

## Directors

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

Tan Sri Abdul Rahman Bin Mamat

Hon Tian Kok @ William\*

Ho Tze Hiung\*

Dato' Norhalim Bin Yunus

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

Mohd Nasir Bin Abdullah

Goh Siow Cheng

(appointed on 6.3.2020)

Dato' Rosely Bin Samsuri

(resigned on 30.4.2020)

Dr Nik Ismail Bin Nik Daud

(resigned on 30.4.2020)

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

Ng Yau Loong

Dato' Ng Ah Kow (alternative Director to Ng Yau Loong)

Haji Ahmad Bin Haji Ma'in

Zarina Binti Abdul Kadir^

Datuk Mohamad Ali Bin Hasan^

Asman Shah Bin Abd Rahman#

Datin Mariani Binti Ahmad Nizaruddin#

\* *Director of the Company and its subsidiary companies*

^ *Appointed during the financial year*

# *Resigned during the financial year*

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

## Directors' Interests in Shares

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

**Directors' Interests in Shares (Cont'd)**

|  | Number of ordinary shares |        |      |               |
|--|---------------------------|--------|------|---------------|
|  | At 1.1.2019               | Bought | Sold | At 31.12.2019 |
| <b>Interests in the Company:</b>               |                           |        |      |               |
| <b>Direct interests</b>                        |                           |        |      |               |
| Tan Sri Abdul Rahman Bin Mamat                 | 500,000                   | -      | -    | 500,000       |
| Hon Tian Kok @ William                         | 122,580,000               | -      | -    | 122,580,000   |
| Dato' Rosely Bin Samsuri                       | 507,999                   | -      | -    | 507,999       |
| Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim | 300,000                   | -      | -    | 300,000       |
| Dr. Nik Ismail Bin Nik Daud                    | 500,000                   | -      | -    | 500,000       |

|                           |            |   |              |            |
|---------------------------|------------|---|--------------|------------|
| <b>Indirect interests</b> |            |   |              |            |
| Hon Tian Kok @ William*   | 26,300,000 | - | (10,000,000) | 16,300,000 |

|                                  | Number of Options over ordinary shares |         |           |               |
|----------------------------------|--|---------|-----------|---------------|
|                                  | At 1.1.2019                            | Granted | Exercised | At 31.12.2019 |
| <b>Interests in the Company:</b> |  |         |           |               |
| <b>Direct interests</b>          |  |         |           |               |
| Hon Tian Kok @ William           | 4,000,000                              | -       | -         | 4,000,000     |
| Ho Tze Hiung                     | 1,000,000                              | -       | -         | 1,000,000     |
| Dato' Norhalim Bin Yunus         | 500,000                                | -       | -         | 500,000       |
| Mohd Nasir Bin Abdullah          | 400,000                                | -       | -         | 400,000       |

|                                  | Number of Warrants |         |          |               |
|----------------------------------|--------------------|---------|----------|---------------|
|                                  | At 1.1.2019        | Granted | Disposed | At 31.12.2019 |
| <b>Interests in the Company:</b> |                    |         |          |               |
| <b>Direct interests</b>          |                    |         |          |               |
| Hon Tian Kok @ William           | 7,241,988          | -       | -        | 7,241,988     |
| Dato' Rosely Bin Samsuri         | 1,333              | -       | -        | 1,333         |

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

By virtue of his interests in the shares of the Company, Hon Tian Kok @ William and Ho Tze Hiung are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent the Company has an interest under Section 8 of the Companies Act 2016 in Malaysia.

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

### **Directors' Benefits**

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

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

### **Indemnity and Insurance Costs**

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM1,000,000 and RM2,000 respectively. No indemnity was given to or insurance effected for auditors of the Company.

### **Other Statutory Information**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of the current assets as shown in the accounting records of the Group and of the Company has written down to an amount which the current assets might be expected so to realise.

### **Other Statutory Information (Cont'd)**

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
  - (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
  - (ii) the result of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **Subsidiary Companies**

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

### **Subsequent Event**

The details of the subsequent event is disclosed in Note 38 to the financial statements.



**Auditors**

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 May 2020.

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HON TIAN KOK @ WILLIAM

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HO TZE HIUNG

KUALA LUMPUR

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS BY DIRECTORS**

**Pursuant to Section 251(2) of the Companies Act 2016 in Malaysia**

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 18 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and their cash flows for the financial year ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 19 May 2020.

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HON TIAN KOK @ WILLIAM

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HO TZE HIUNG

KUALA LUMPUR

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATUTORY DECLARATION**

**Pursuant to Section 251(1) of the Companies Act 2016 in Malaysia**

I, Hon Tian Kok @ William (MIA Membership No: 32907), being the Director primarily responsible for the financial management of Bioalpha Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 18 to 127 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the )  
abovenamed at Kuala Lumpur in the )  
Federal Territory on 19 May 2020 )

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HON TIAN KOK @ WILLIAM

Before me,

**No. W710**  
**MOHAN A.S. MANIAM**  

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COMMISSIONER OF OATHS

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

***Opinion***

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

***Basis of Opinion***

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

***Independence and Other Ethical Requirements***

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

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

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

***Key Audit Matters***

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

**Key audit matters**

**How we addressed the key audit matters**

---

**1. Goodwill impairment review**

As at 31 December 2019, the carrying amount of goodwill on consolidation amounted to RM5,891,157 mainly arising from acquisition of Mediconstant Holding Sdn. Bhd.

Goodwill were tested for impairment annually in accordance to MFRS 136 *Impairment of Assets*. This assessment requires management to make estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on.

Our procedures performed in relation to managements' impairment assessment and testing included the following:

- assessed the reliability of the cash flows forecasts and supporting evidence of the underlying assumptions, by checking to approved budgets and comparing to recent performance and prior years' forecasted results;
- performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the end of the reporting period;
- checked the key assumptions used by management, in particular, revenue growth rate comparing to business plans, historical results and market data;
- assessed the adequacy and reasonableness of the disclosures in the financial statements.

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

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

***Key Audit Matters (Cont'd)***

**Key audit matters**

**How we addressed the key audit matters**

**2. Assessment of carrying amount  
of development expenditure**

As at 31 December 2019, the carrying amount of development expenditure amounted to RM43,673,202.

Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently judgmental.

We focused on this area because of the significance of the costs capitalised and the fact that there is judgment involved in assessing whether the criteria, set out in MFRS 138 *Intangible Assets*, required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits. Where the costs incurred are internally generated, there is further judgment required in the calculation, such as the accuracy of amount of time spent on the projects.

We also focused on whether there is objective evidence of the carrying value for development expenditures are impaired.

We discussed with management on their assessment as to whether development projects in-progress were still expected to deliver sufficient positive economic benefits upon their completion. For completed development projects, we considered whether the useful economic lives remained appropriate for those assets and to assess whether there is any impairment indication. Our procedures included the following:

- tested the amounts capitalised during the reporting period are in accordance with the requirements of MFRS 138 *Intangible Assets*;
- assessed the reliability of the cash flows forecast and supporting evidence of the analysis assumptions, by checking to approved budgets and company to recent performance and prior years' forecasted result;
- performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the development expenditure at the end of the reporting period; and
- checked the key assumptions used by management, in particular , revenue formula rate comparing to business plans, historical results and market data.
- assessed the adequacy and reasonableness of the disclosures in the financial statements

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

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

***Key Audit Matters (Cont'd)***

**Key audit matters**

**How we addressed the key audit matters**

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**3. Impairment of trade receivables**

The Group has material credit exposures in its trade receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement.

The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade receivables that were either in default or significantly overdue at the financial year end. Our procedures performed in relation to managements' impairment assessment and testing included the following:

- obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures, assign internal credit ratings, and report on these to the appropriate level of governance to ensure they worked as designed;
- developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables;
- reviewed the adequacy of the impairment loss and enquired management regarding the recoverability of the selected receivables that are past due but not impaired, and review the customers' correspondence, settlement arrangement and obtained evidence of cash receipts where these has been recovered; and
- assessed the adequacy and reasonableness of the disclosures in the financial statements.

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

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

***Information Other than the Financial Statements and Auditors' Report Thereon***

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

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

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

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

***Responsibilities of the Directors for the Financial Statements***

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatements, whether due to fraud or error.

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



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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatements of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

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

***Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)***

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

[Registration No.: 201101021398 (949536-X)]  
(Incorporated in Malaysia)

**OTHER MATTERS**

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

UHY

Firm Number: AF 1411  
Chartered Accountants

YEOH AIK CHUAN

Approved Number: 02239/07/2020 J  
Chartered Accountant

KUALA LUMPUR

19 May 2020

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

|                                      |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--------------------------------------|-------------|--------------------|--------------------|--------------------|--------------------|
|                                      | <b>Note</b> | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> |
| <b>ASSETS</b>                        |             |                    |                    |                    |                    |
| <b>Non-Current Assets</b>            |             |                    |                    |                    |                    |
| Property, plant and equipment        | 4           | 48,641,681         | 47,568,284         | 4,723              | 6,029              |
| Investment in subsidiary companies   | 5           | -                  | -                  | 13,716,436         | 13,716,336         |
| Right-of-use assets                  | 6           | 13,377,407         | -                  | -                  | -                  |
| Goodwill on consolidation            | 7           | 5,891,157          | 5,841,157          | -                  | -                  |
| Intangible assets                    | 8           | 44,538,650         | 35,577,519         | -                  | -                  |
| Amount due from subsidiary companies | 13          | -                  | -                  | 34,096,076         | -                  |
|                                      |             | <u>112,448,895</u> | <u>88,986,960</u>  | <u>47,817,235</u>  | <u>13,722,365</u>  |
| <b>Current Assets</b>                |             |                    |                    |                    |                    |
| Biological assets                    | 9           | 582,433            | 643,350            | -                  | -                  |
| Inventories                          | 10          | 10,136,855         | 9,028,301          | -                  | -                  |
| Trade receivables                    | 11          | 44,629,915         | 39,531,732         | -                  | -                  |
| Other receivables                    | 12          | 13,159,467         | 17,166,178         | 165,827            | 127,448            |
| Amount due from subsidiary companies | 13          | -                  | -                  | 49,187,985         | 72,520,699         |
| Tax recoverable                      |             | 351,825            | 463,429            | 99,000             | 99,000             |
| Other investments                    | 14          | 11,378             | 11,001             | -                  | -                  |
| Fixed deposits with licensed banks   | 15          | 9,681,898          | 18,590,714         | 3,500,000          | 8,200,000          |
| Cash and bank balances               |             | <u>2,853,133</u>   | <u>4,525,994</u>   | <u>25,192</u>      | <u>21,385</u>      |
|                                      |             | <u>81,406,904</u>  | <u>89,960,699</u>  | <u>52,978,004</u>  | <u>80,968,532</u>  |
| <b>Total Assets</b>                  |             | <u>193,855,799</u> | <u>178,947,659</u> | <u>100,795,239</u> | <u>94,690,897</u>  |

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019 (CONT'D)**

|  |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
|  | <b>Note</b> | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> |
| <b>EQUITY</b>                                      |             |                    |                    |                    |                    |
| Share capital                                      | 16          | 99,763,799         | 99,763,799         | 99,763,799         | 99,763,799         |
| Reserves   | 17          | 65,783,181         | 57,856,783         | 607,667            | (5,326,464)        |
| <b>Equity attributable to owners of the parent</b> |             | 165,546,980        | 157,620,582        | 100,371,466        | 94,437,335         |
| Non-controlling interests                          |             | (283,393)          | (303,113)          | -                  | -                  |
| <b>Total Equity</b>                                |             | 165,263,587        | 157,317,469        | 100,371,466        | 94,437,335         |
| <b>LIABILITIES</b>                                 |             |                    |                    |                    |                    |
| <b>Non-Current Liabilities</b>                     |             |                    |                    |                    |                    |
| Finance lease liabilities                          | 18          | -                  | 415,906            | -                  | -                  |
| Lease liabilities                                  | 19          | 5,176,844          | -                  | -                  | -                  |
| Borrowings   | 20          | 4,185,815          | 4,810,429          | -                  | -                  |
| Deferred tax liabilities                           | 21          | 8,107,680          | 6,481,014          | -                  | -                  |
|  |             | 17,470,339         | 11,707,349         | -                  | -                  |
| <b>Current Liabilities</b>                         |             |                    |                    |                    |                    |
| Trade payables                                     | 22          | 4,217,507          | 5,031,071          | -                  | -                  |
| Other payables                                     | 23          | 3,886,560          | 3,844,881          | 423,773            | 248,762            |
| Amount due to subsidiary companies                 | 13          | -                  | -                  | -                  | 4,800              |
| Finance lease liabilities                          | 18          | -                  | 157,968            | -                  | -                  |
| Lease liabilities                                  | 19          | 1,355,542          | -                  | -                  | -                  |
| Borrowings   | 20          | 1,281,449          | 765,740            | -                  | -                  |
| Tax payable  |             | 380,815            | 123,181            | -                  | -                  |
|  |             | 11,121,873         | 9,922,841          | 423,773            | 253,562            |
| <b>Total Liabilities</b>                           |             | 28,592,212         | 21,630,190         | 423,773            | 253,562            |
| <b>Total Equity and Liabilities</b>                |             | 193,855,799        | 178,947,659        | 100,795,239        | 94,690,897         |

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

**BIOALPHA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

|  |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|--|-------------|--------------------|--------------------|--------------------|--------------------|
|  | <b>Note</b> | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> |
| Revenue  | 24          | 63,667,826         | 70,090,353         | 8,642,600          | 1,625,988          |
| Cost of sales  |             | (38,433,873)       | (39,532,424)       | -                  | -                  |
| Gross profit   |             | 25,233,953         | 30,557,929         | 8,642,600          | 1,625,988          |
| Other income   |             | 4,170,586          | 3,478,393          | 258,578            | 496,065            |
| Net loss on impairment of<br>financial assets                                      | 26          | (58,503)           | (55,083)           | (892,260)          | -                  |
| Administrative expenses  |             | (18,260,260)       | (18,992,077)       | (1,929,260)        | (2,186,408)        |
| Finance costs  | 25          | (564,661)          | (296,569)          | -                  | -                  |
| <b>Profit/(Loss) before taxation</b>   | 26          | 10,521,115         | 14,692,593         | 6,079,658          | (64,355)           |
| Taxation   | 27          | (2,196,757)        | (3,089,856)        | -                  | (224,854)          |
| <b>Profit/(Loss) for the financial year</b>  |             | 8,324,358          | 11,602,737         | 6,079,658          | (289,209)          |
| <b>Other comprehensive income:</b>   |             |                    |                    |                    |                    |
| <i>Item that are or may be<br/>reclassified subsequently to<br/>profit or loss</i> |             |                    |                    |                    |                    |
| Exchange translation differences<br>for foreign operation                          |             | 96,058             | (136,754)          | -                  | -                  |
| <b>Total comprehensive income/<br/>(loss) for the financial year</b>               |             | 8,420,416          | 11,465,983         | 6,079,658          | (289,209)          |

**BIOALPHA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

|  |      | Group            |                   | Company          |                  |
|--|------|------------------|-------------------|------------------|------------------|
|  |      | 2019             | 2018              | 2019             | 2018             |
|  | Note | RM               | RM                | RM               | RM               |
| <b>Profit/(Loss) for the financial year attributable to:</b> |      |                  |                   |                  |                  |
| Owners of the parent   |      | 8,315,531        | 11,570,610        | 6,079,658        | (289,209)        |
| Non-controlling interests                                    |      | 8,827            | 32,127            | -                | -                |
|  |      | <u>8,324,358</u> | <u>11,602,737</u> | <u>6,079,658</u> | <u>(289,209)</u> |
| <b>Total comprehensive income/ (loss) attributable to:</b>   |      |                  |                   |                  |                  |
| Owners of the parent   |      | 8,400,696        | 11,449,091        | 6,079,658        | (289,209)        |
| Non-controlling interests                                    |      | 19,720           | 16,892            | -                | -                |
|  |      | <u>8,420,416</u> | <u>11,465,983</u> | <u>6,079,658</u> | <u>(289,209)</u> |
| <b>Earnings per share:</b>                                   |      |                  |                   |                  |                  |
| Basic (sen)  | 28   | <u>0.97</u>      | <u>1.41</u>       |                  |                  |
| Diluted (sen)  | 28   | <u>0.97</u>      | <u>1.22</u>       |                  |                  |

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

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

|  |       | Attributable to Owners of the Parent |                          |                          |                                |                          |   |                        |                            |             |  |                       |
|--|-------|--------------------------------------|--------------------------|--------------------------|--------------------------------|--------------------------|---|------------------------|----------------------------|-------------|--|-----------------------|
|  |       | Non- Distributable                   |                          |                          |                                |                          |   |                        | Distributable              |             |  |                       |
| Group  | Note  | Share<br>Capital<br>RM               | Treasury<br>Shares<br>RM | Warrant<br>Reserve<br>RM | SIS<br>Option<br>Reserve<br>RM | Merger<br>Deficits<br>RM | Foreign<br>Currency<br>Translation<br>Reserve<br>RM | Other<br>Reserve<br>RM | Retained<br>Earnings<br>RM | Total<br>RM | Non-<br>Controlling<br>Interests<br>RM | Total<br>Equity<br>RM |
| As at 1 January 2019, as<br>previously reported              |       | 99,763,799                           | -                        | 16,853,263               | 837,000                        | (4,969,130)              | (137,660)   | (16,853,263)           | 62,126,573                 | 157,620,582 | (303,113)                              | 157,317,469           |
| Effect of adopting MFRS 16                                   |       | -                                    | -                        | -                        | -                              | -                        | -   | -                      | (328,771)                  | (328,771)   | -                                      | (328,771)             |
| As at January 2019, as restated                              |       | 99,763,799                           | -                        | 16,853,263               | 837,000                        | (4,969,130)              | (137,660)   | (16,853,263)           | 61,797,802                 | 157,291,811 | (303,113)                              | 156,988,698           |
| Profit for the financial year                                |       | -                                    | -                        | -                        | -                              | -                        | -   | -                      | 8,315,531                  | 8,315,531   | 8,827                                  | 8,324,358             |
| Foreign exchange translation<br>reserve                      |       | -                                    | -                        | -                        | -                              | -                        | 85,165  | -                      | -                          | 85,165      | 10,893                                 | 96,058                |
| <b>Total comprehensive income<br/>for the financial year</b> |       | -                                    | -                        | -                        | -                              | -                        | 85,165  | -                      | 8,315,531                  | 8,400,696   | 19,720                                 | 8,420,416             |
| <b>Transactions with owners:</b>                             |       |                                      |                          |                          |                                |                          |   |                        |                            |             |  |                       |
| Shares repurchased   | 17(a) | -                                    | (145,527)                | -                        | -                              | -                        | -   | -                      | -                          | (145,527)   | -                                      | (145,527)             |
| <b>At 31 December 2019</b>                                   |       | 99,763,799                           | (145,527)                | 16,853,263               | 837,000                        | (4,969,130)              | (52,495)  | (16,853,263)           | 70,113,333                 | 165,546,980 | (283,393)                              | 165,263,587           |



**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

|   |           | Attributable to Owners of the Parent |                          |                                |                          |   |                        |                            |             |  |                       |  |
|---|-----------|--------------------------------------|--------------------------|--------------------------------|--------------------------|---|------------------------|----------------------------|-------------|--|-----------------------|--|
|   |           | Non- Distributable                   |                          |                                |                          |   | Distributable          |                            |             |  |                       |  |
| Group   | Note      | Share<br>Capital<br>RM               | Warrant<br>Reserve<br>RM | SIS<br>Option<br>Reserve<br>RM | Merger<br>Deficits<br>RM | Foreign<br>Currency<br>Translation<br>Reserve<br>RM | Other<br>Reserve<br>RM | Retained<br>Earnings<br>RM | Total<br>RM | Non-<br>Controlling<br>Interests<br>RM | Total<br>Equity<br>RM |  |
| As at 1 January 2018  |           | 87,453,673                           | 16,853,263               | 967,500                        | (4,969,130)              | (906)   | (16,853,263)           | 51,914,881                 | 135,366,018 | (803,158)                              | 134,562,860           |  |
| Profit for the financial year   |           | -                                    | -                        | -                              | -                        | -   | -                      | 11,585,845                 | 11,585,845  | 32,127                                 | 11,617,972            |  |
| Foreign exchange translation<br>reserve   |           | -                                    | -                        | -                              | -                        | (136,754)   | -                      | -                          | (136,754)   | (15,235)                               | (151,989)             |  |
| <b>Total comprehensive (loss)/income<br/>for the financial year</b>                                   |           | -                                    | -                        | -                              | -                        | (136,754)   | -                      | 11,585,845                 | 11,449,091  | 16,892                                 | 11,465,983            |  |
| <b>Transactions with owners:</b>  |           |                                      |                          |                                |                          |   |                        |                            |             |  |                       |  |
| Issuance of ordinary shares   | 16        | 11,882,376                           | -                        | -                              | -                        | -   | -                      | -                          | 11,882,376  | -                                      | 11,882,376            |  |
| Exercises of SIS  | 16, 17(c) | 427,750                              | -                        | (130,500)                      | -                        | -   | -                      | -                          | 297,250     | -                                      | 297,250               |  |
| Dividends to owners of the<br>Company   | 29        | -                                    | -                        | -                              | -                        | -   | -                      | (891,000)                  | (891,000)   | -                                      | (891,000)             |  |
| Non-controlling interests arising<br>from additional subscription of<br>share in a subsidiary company |           | -                                    | -                        | -                              | -                        | -   | -                      | (483,153)                  | (483,153)   | 483,153                                | -                     |  |
| <b>Total transactions with owners</b>   |           | 12,310,126                           | -                        | (130,500)                      | -                        | -   | -                      | (1,374,153)                | 10,805,473  | 483,153                                | 11,288,626            |  |
| <b>At 31 December 2018</b>  |           | 99,763,799                           | 16,853,263               | 837,000                        | (4,969,130)              | (137,660)   | (16,853,263)           | 62,126,573                 | 157,620,582 | (303,113)                              | 157,317,469           |  |

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

| Company  | Note      | Share<br>Capital<br>RM | Treasury<br>Shares<br>RM | Warrant<br>Reserve<br>RM | SIS<br>Option<br>Reserve<br>RM | Other<br>Reserve<br>RM | Retained<br>earnings /<br>Accumulated<br>Losses<br>RM | Total<br>Equity<br>RM |
|--|-----------|------------------------|--------------------------|--------------------------|--------------------------------|------------------------|---|-----------------------|
| At 1 January 2018  |           | 87,453,673             | -                        | 16,853,263               | 967,500                        | (16,853,263)           | (4,983,255)   | 83,437,918            |
| Loss for the financial year,<br>representing total<br>comprehensive loss<br>for the financial year     |           | -                      | -                        | -                        | -                              | -                      | (289,209)   | (289,209)             |
| <b>Transactions with owners:</b>   |           |                        |                          |                          |                                |                        |   |                       |
| Issuance of ordinary shares  | 16        | 11,882,376             | -                        | -                        | -                              | -                      | -   | 11,882,376            |
| Exercises of SIS   | 16, 17(c) | 427,750                | -                        | -                        | (130,500)                      | -                      | -   | 297,250               |
| Dividends to owners of the<br>Company  | 29        | -                      | -                        | -                        | -                              | -                      | (891,000)   | (891,000)             |
| <b>Total transactions with<br/>owners</b>  |           | 12,310,126             | -                        | -                        | (130,500)                      | -                      | (891,000)   | 11,288,626            |
| At 31 December 2018  |           | 99,763,799             | -                        | 16,853,263               | 837,000                        | (16,853,263)           | (6,163,464)   | 94,437,335            |
| At 1 January 2019  |           | 99,763,799             | -                        | 16,853,263               | 837,000                        | (16,853,263)           | (6,163,464)   | 94,437,335            |
| Profit for the financial year,<br>representing total<br>comprehensive income<br>for the financial year |           | -                      | -                        | -                        | -                              | -                      | 6,079,658   | 6,079,658             |
| <b>Transactions with owners</b>  |           |                        |                          |                          |                                |                        |   |                       |
| Shares repurchased   | 17(a)     | -                      | (145,527)                | -                        | -                              | -                      | -   | (145,527)             |
| At 31 December 2019  |           | 99,763,799             | (145,527)                | 16,853,263               | 837,000                        | (16,853,263)           | (83,806)  | 100,371,466           |

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

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

|   | Note | Group       |             | Company     |             |
|---|------|-------------|-------------|-------------|-------------|
|   |      | 2019<br>RM  | 2018<br>RM  | 2019<br>RM  | 2018<br>RM  |
| <b>Cash Flows From Operating Activities</b>               |      |             |             |             |             |
| Profit/(Loss) before taxation                             |      | 10,521,115  | 14,692,593  | 6,079,658   | (64,355)    |
| Adjustments for:  |      |             |             |             |             |
| Amortisation of intangible assets                         |      | 3,718,325   | 3,566,987   | -           | -           |
| Amortisation of deferred capital grant                    |      | (368,391)   | (734,080)   | -           | -           |
| Amortisation of biological assets                         |      | 125,341     | 106,441     | -           | -           |
| Amortisation of right-of-use assets                       |      | 1,448,373   | -           | -           | -           |
| Deposits written off                                      |      | 2,935       | 1,500       | -           | -           |
| Depreciation of property, plant and equipment             |      | 6,454,263   | 5,420,663   | 1,306       | 605         |
| Dividend income   |      | -           | -           | (8,000,000) | (891,000)   |
| Gain on disposals of property, plant and equipment        |      | -           | (22,526)    | -           | -           |
| Grant income  |      | (1,707,300) | (1,402,547) | -           | -           |
| Impairment losses on trade receivables                    |      | 208,237     | 96,133      | -           | -           |
| Impairment losses on amount due from subsidiary companies |      | -           | -           | 892,260     | -           |
| Finance costs   |      | 564,661     | 296,569     | -           | -           |
| Interest income   |      | (483,846)   | (543,781)   | (258,578)   | (461,185)   |
| Inventories written off                                   |      | -           | 15,455      | -           | -           |
| Property, plant and equipment written off                 |      | 650,490     | 587,476     | -           | -           |
| Reversals of impairment losses on trade receivables       |      | (149,734)   | (35,848)    | -           | -           |
| Reversals of impairment losses on other receivables       |      | -           | (5,202)     | -           | -           |
| Unrealised loss on foreign exchange                       |      | 15,169      | 398,117     | 41          | 61          |
| Waiver of amount due to trade payables                    |      | -           | (86,261)    | -           | -           |
| Waiver of amount due to other payables                    |      | (108,921)   | (76,168)    | -           | -           |
| Operating profit/(loss) before working capital changes    |      | 20,890,717  | 22,275,521  | (1,285,313) | (1,415,874) |

**BIOALPHA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

|  |      | Group               |                     | Company          |                  |
|--|------|---------------------|---------------------|------------------|------------------|
|  |      | 2019                | 2018                | 2019             | 2018             |
|  | Note | RM                  | RM                  | RM               | RM               |
| <b>Cash Flows From Operating Activities (Cont'd)</b>         |      |                     |                     |                  |                  |
| Changes in working capital:                                  |      |                     |                     |                  |                  |
| Biological assets  |      | (64,424)            | (560,538)           | -                | -                |
| Inventories  |      | (889,804)           | (1,453,668)         | -                | -                |
| Trade receivables  |      | (5,156,686)         | (8,335,867)         | -                | -                |
| Other receivables  |      | 354,106             | (2,178,731)         | (38,379)         | 739,647          |
| Trade payables   |      | (813,564)           | 238,226             | -                | -                |
| Other payables   |      | 520,410             | (993,631)           | 175,011          | 973,964          |
|  |      | <u>(6,049,962)</u>  | <u>(13,284,209)</u> | <u>136,632</u>   | <u>1,713,611</u> |
| Cash generated from/(used in) operations                     |      |                     |                     |                  |                  |
|  |      | 14,840,755          | 8,991,312           | (1,148,681)      | 297,737          |
| Government grant received                                    |      | 1,707,300           | 1,402,547           | -                | -                |
| Interest paid  |      | (564,661)           | (296,569)           | -                | -                |
| Interest received  |      | 483,846             | 543,781             | 258,578          | 461,185          |
| Tax refunded   |      | 624,350             | 234,682             | 108,000          | -                |
| Tax paid   |      | (825,778)           | (618,983)           | (108,000)        | (224,854)        |
|  |      | <u>1,425,057</u>    | <u>1,265,458</u>    | <u>258,578</u>   | <u>236,331</u>   |
| Net cash from/(used in) operating activities                 |      |                     |                     |                  |                  |
|  |      | <u>16,265,812</u>   | <u>10,256,770</u>   | <u>(890,103)</u> | <u>534,068</u>   |
| <b>Net Changes in Cash Flows From Investing Activities</b>   |      |                     |                     |                  |                  |
| Additional in intangible assets                              |      | (12,689,810)        | (8,612,495)         | -                | -                |
| Purchases of property, plant and equipment                   | 4(e) | (11,692,260)        | (15,046,825)        | -                | (6,005)          |
| Purchases of right-of-use assets                             | 6(c) | (12,470)            | -                   | -                | -                |
| Placement of other investments                               |      | (377)               | (401)               | -                | -                |
| Proceeds from disposals of property, plant and equipment     |      | -                   | 425,414             | -                | -                |
| Net cash outflows arising from acquisition of business       | 5(a) | (440,000)           | (800,000)           | -                | -                |
| Investment in subsidiary company                             |      | -                   | -                   | (100)            | -                |
| Dividend received  |      | -                   | -                   | 8,000,000        | -                |
| Deposits paid for purchases of property, plant and equipment |      | <u>(591,912)</u>    | <u>(1,359,315)</u>  | <u>-</u>         | <u>-</u>         |
| Net cash (used in)/from investing activities                 |      |                     |                     |                  |                  |
|  |      | <u>(25,426,829)</u> | <u>(25,393,622)</u> | <u>7,999,900</u> | <u>(6,005)</u>   |

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

|   |       | Group             |                   | Company            |                    |
|---|-------|-------------------|-------------------|--------------------|--------------------|
|   |       | 2019              | 2018              | 2019               | 2018               |
|   | Note  | RM                | RM                | RM                 | RM                 |
| <b>Cash Flows From Financing</b>  |       |                   |                   |                    |                    |
| <b>Activities</b>   |       |                   |                   |                    |                    |
| Net changes on banker's acceptance  |       | 486,000           | (53,000)          | -                  | -                  |
| Net changes in amount due from/to subsidiary companies                          |       | -                 | -                 | (11,660,422)       | (19,766,406)       |
| Dividends paid  |       | -                 | (1,700,250)       | -                  | (1,700,250)        |
| Decreased/(Increased) in fixed deposits pledged and maturity more than 3 months |       | 12,464,996        | (8,128,300)       | 3,500,000          | 1,000,000          |
| Proceeds from issue of share capital  |       | -                 | 12,179,626        | -                  | 12,179,626         |
| Purchase of treasury shares   | 17(a) | (145,527)         | -                 | (145,527)          | -                  |
| Proceeds from term loan   |       | -                 | 3,000,000         | -                  | -                  |
| Repayment of lease liabilities  |       | (1,193,790)       | -                 | -                  | -                  |
| Repayment of finance lease liabilities  |       | -                 | (342,387)         | -                  | -                  |
| Repayment of term loans   |       | (595,332)         | (510,707)         | -                  | -                  |
| Net cash from/(used in) financing activities                                    |       | <u>11,016,347</u> | <u>4,444,982</u>  | <u>(8,305,949)</u> | <u>(8,287,030)</u> |
| <b>Net decrease in cash and cash equivalents</b>                                |       |                   |                   |                    |                    |
|   |       | 1,855,330         | (10,691,870)      | (1,196,152)        | (7,758,967)        |
| Effect of exchange translation differences                                      |       | 27,562            | (34,439)          | (41)               | -                  |
| <b>Cash and cash equivalents at the beginning of the financial year</b>         |       |                   |                   |                    |                    |
|   |       | <u>6,085,246</u>  | <u>16,811,555</u> | <u>1,221,385</u>   | <u>8,980,352</u>   |
| <b>Cash and cash equivalents at the end of the financial year</b>               |       |                   |                   |                    |                    |
|   |       | 7,968,138         | 6,085,246         | 25,192             | 1,221,385          |

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**

|  |      | Group              |                     | Company            |                    |
|--|------|--------------------|---------------------|--------------------|--------------------|
|  | Note | 2019<br>RM         | 2018<br>RM          | 2019<br>RM         | 2018<br>RM         |
| <b>Cash and cash equivalents at the end of the financial year comprises:</b> |      |                    |                     |                    |                    |
| Cash and bank balances   |      | 2,853,133          | 4,525,994           | 25,192             | 21,385             |
| Fixed deposits with licensed banks   | 15   | 9,681,898          | 18,590,714          | 3,500,000          | 8,200,000          |
| Bank overdraft   | 20   | (427)              | -                   | -                  | -                  |
|  |      | <u>12,534,604</u>  | <u>23,116,708</u>   | <u>3,525,192</u>   | <u>8,221,385</u>   |
| Less: Fixed deposits pledged with licensed banks                             | 15   | (1,066,466)        | (1,031,462)         | -                  | -                  |
| Less: Fixed deposits maturity more than 3 months                             | 15   | <u>(3,500,000)</u> | <u>(16,000,000)</u> | <u>(3,500,000)</u> | <u>(7,000,000)</u> |
|  |      | <u>7,968,138</u>   | <u>6,085,246</u>    | <u>25,192</u>      | <u>1,221,385</u>   |

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

**BIOALPHA HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

**1. Corporate Information**

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

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 1, Jalan Perindustrian Suntrack, Hub Perindustrian Suntrack, Off Jalan P1A, Seksyen 13, Bandar Baru Bangi, 43000 Kajang, Selangor Darul Ehsan.

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

**2. Basis of Preparation**

**(a) Statements of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

## 2. Basis of Preparation

### (a) Statements of compliance (Cont'd)

#### Adoption of new and amended standards

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

|   |   |
|---|---|
| MFRS 16   | Leases  |
| IC Interpretation 23                            | Uncertainty over Income Tax Treatments              |
| Amendments to MFRS 9                            | Prepayment Features with Negative Compensation      |
| Amendments to MFRS 119                          | Plan Amendments, Curtailment or Settlement          |
| Amendments to MFRS 128                          | Long-term interests in Associates and Joint Venture |
| Annual Improvements to MFRSs 2015 – 2017 Cycle: | Amendments to MFRS 3                                |
|   | Amendments to MFRS 11                               |
|   | Amendments to MFRS 112                              |
|   | Amendments to MFRS 123                              |

The adoption of the new MFRSs, new interpretations and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company, except for:

#### MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determine whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use (“ROU”) asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the ROU asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows.



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

### (a) Statements of compliance (Cont'd)

#### **Adoption of new and amended standards (Cont'd)**

##### MFRS 16 Leases (Cont'd)

The ROU asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

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

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

As a result, the leasehold land and building under property, plant and equipment classification and prepaid lease payments (or land use rights) have been reclassified to ROU assets on 1 January 2019 for the Group.

**2. Basis of Preparation (Cont'd)****(a) Statements of compliance (Cont'd)****Adoption of new and amended standards (Cont'd)**MFRS 16 Leases (Cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statement of Financial Position

|                               | <b>As at<br/>31.12.2018<br/>RM</b> | <b>MFRS 16<br/>adjustments<br/>RM</b> | <b>As at<br/>1.1.2019<br/>RM</b> |
|-------------------------------|------------------------------------|---------------------------------------|----------------------------------|
| <b>Group</b>                  |                                    |                                       |                                  |
| Property, plant and equipment | 47,568,284                         | (7,963,153)                           | 39,605,131                       |
| Right-of-use assets           | -                                  | 12,251,726                            | 12,251,726                       |
| Retained earnings             | (62,126,573)                       | 328,771                               | (61,797,802)                     |
| Finance lease liabilities     | (573,874)                          | 573,874                               | -                                |
| Lease liabilities             | <u>-</u>                           | <u>(5,191,218)</u>                    | <u>(5,191,218)</u>               |

**Standards issued but not yet effective**

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

|  | <b>Effective dates for<br/>financial periods<br/>beginning on or after</b> |
|--|--|
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020   |
| Amendments to MFRS 3   | 1 January 2020   |
| Amendments to MFRS 9, MFRS 139 and MFRS 7                              | 1 January 2020   |
| Amendments to MFRS 101 and MFRS 108                                    | 1 January 2020   |
| MFRS 17  | 1 January 2021   |
| Amendments to MFRS 101   | 1 January 2022   |
| Amendments to MFRS 10 and MFRS 128                                     | Deferred until further notice  |

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

**(a) Statements of compliance (Cont'd)**

**Standards issued but not yet effective (Cont'd)**

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17 *Insurance Contracts* that is effective for annual periods beginning or after 1 January 2021 as it is not applicable to the Group and to the Company.

The initial application of the accounting standards or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

**(b) Functional and presentation currency**

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

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

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

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

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

**Judgements**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

**Determining the lease term of contracts with renewal and termination options – Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of land and building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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

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

#### **Key sources of estimation uncertainty**

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

#### Useful lives/amortisation of property, plant and equipment and right-of-use (“ROU”) assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation/amortisation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 6 respectively to the financial statements.

#### Development expenditure

The Group capitalises development expenditure for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for development expenditure is disclosed in Note 8 to the financial statements.

#### Recoverability of development expenditure

During the financial year, the Directors considered the recoverability of the Group's development cost arising from its on-going development of 2 high-value herbal products for diabetes and hormone replacement therapy, and the products development for the formulation of health supplement products. The Group had completed the required pre-clinical studies and is currently in the midst of preparing the required submission documents to the National Pharmaceutical Regulatory Agency to obtain for the commencement of phase 1 clinical studied on the botanical drugs.

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

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

**Key sources of estimation uncertainty (Cont'd)**

Recoverability of development expenditure (Cont'd)

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the Directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate. The carrying amount at the reporting date for development costs is disclosed in Note 8 to the financial statements.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10 to the financial statements.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are only given in rare circumstances and are never material.

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

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

#### Key sources of estimation uncertainty (Cont'd)

##### Provision for expected credit loss of financial assets at amortised cost

The Group reviews the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit loss for receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed, if any.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. Information about the expected credit loss is disclosed in Note 34 to the financial statements.

##### Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

##### Income taxes

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

The Group and the Company recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2019, the Group and the Company have tax recoverable of RM351,825 (2018: RM463,429) and RM99,000 (2018: 99,000) respectively, and tax payable of RM380,815 (2018: RM123,181) and RMNil (2018: RMNil) respectively.

### 3. **Significant Accounting Policies**

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

#### (a) **Basis of consolidation**

##### (i) **Subsidiary companies**

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

Subsidiary companies are consolidated using the acquisition method of accounting except for the business combination with Bioalpha International Sdn. Bhd. and its subsidiary companies, namely Bioalpha Agro Sdn. Bhd. and Bioalpha East Coast Agro Sdn. Bhd., which was accounted for under the merger method of accounting as the business combination of these subsidiary companies involved an entity under common control.

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

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

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



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

#### (a) **Basis of consolidation (Cont'd)**

##### (i) **Subsidiary companies (Cont'd)**

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

#### (a) **Basis of consolidation (Cont'd)**

##### (iii) **Disposal of subsidiary companies**

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

##### (iv) **Goodwill on consolidation**

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

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

#### (b) **Foreign currency translation**

##### (i) **Foreign currency transactions and balances**

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

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

#### (b) Foreign currency translation (Cont'd)

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

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

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

##### (ii) Foreign operations

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

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

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

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

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

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

##### (i) Recognition and measurement

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

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

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

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

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

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

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

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

##### (ii) Subsequent costs

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

##### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land and immature bearer plants are not depreciated. Depreciation commences when the bearer plants or when the assets are ready for its intended use.

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

|  |                      |
|--|----------------------|
| Buildings  | 50 years             |
| Computer system and peripherals                  | 5 to 10 years        |
| Lab and office equipment, furniture and fittings | 5 to 10 years        |
| Motor vehicles                                   | 5 years              |
| Plant and machineries                            | 5 to 10 years        |
| Renovations                                      | 10 years             |
| Signage and display items                        | 5 to 10 years        |
| Infra-structure expenditures                     | 10 years             |
| Plantation expenditure                           | 9 months to 15 years |

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

#### Leasehold land and building

The above accounting policies for property, plant and equipment applies to leasehold land and building until 31 December 2018. The leasehold land and buildings was depreciated over the remaining lease period.

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group has reclassified the carrying amount of the leasehold land to ROU assets. The policy of recognition and measurement of the right-of-use assets is in accordance with Note 3(e) to the financial statements.

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

#### (d) Biological assets

Biological assets comprise of expenditure incurred on land clearing, planting, fertilising and other associated cost incurred to upkeep of the crops to maturity. Biological assets are measured at fair value less costs of disposal, except on initial recognition for which market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such case, the biological assets are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the financial statements.

At each reporting date, the Group considers the nature of plantation activities being growing and managing herbal plantations for the sale of herbal. The biological assets have been stated at cost less accumulated depreciation and accumulated impairment if any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available. The biological assets are considered to be matured by 8 to 84 months after the initial field planting.

#### (e) Leases

##### *Policy applicable from 1 January 2019*

##### (a) As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the financial statements.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

|                    |                                 |
|--------------------|---------------------------------|
| Land and buildings | Over the remaining lease period |
| Motor vehicles     | 5 years                         |

The ROU assets are subject to impairment.

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

#### (e) Leases (Cont'd)

##### *Policy applicable from 1 January 2019 (Cont'd)*

##### (a) As lessee (Cont'd)

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

##### (b) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

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

#### (e) Leases (Cont'd)

##### *Policy applicable from 1 January 2019 (Cont'd)*

##### (b) As lessor (Cont'd)

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

##### *Policy applicable before 1 January 2019*

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

##### As lessee

##### (i) Finance lease

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

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

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



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

#### (e) Leases (Cont'd)

##### *Policy applicable before 1 January 2019 (Cont'd)*

##### As lessee

##### (ii) Operating lease

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

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

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

##### As lessor

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

#### (f) Intangible assets

##### (i) Internally-generated intangible assets - research and development costs

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

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

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

#### (f) **Intangible assets (Cont'd)**

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

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

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

##### (ii) **Intangible assets acquired separately**

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

##### (iii) **Derecognition of intangible assets**

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

See accounting policy Note 3(m)(i) on impairment of non-financial assets for intangible assets.

#### (g) **Financial assets**

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

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

#### (g) Financial assets (Cont'd)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition and the categories as follows:

##### (a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### (b) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost as described above, are measured at fair value through profit and loss. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss are subject to impairment.

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

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

#### (g) **Financial assets (Cont'd)**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

#### (h) **Financial liabilities**

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

#### (i) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

#### (j) **Offsetting of financial instruments**

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

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

#### (k) Inventories

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

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

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

#### (l) Cash and cash equivalents

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

#### (m) Impairment of assets

##### (i) Non-financial assets

The carrying amounts of non-financial assets (except for biological asset and inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

#### (m) Impairment of assets (Cont'd)

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

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

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

##### (ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

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

#### (m) **Impairment of assets (Cont'd)**

##### (ii) **Financial assets (Cont'd)**

For trade receivables, other receivables, contract assets and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### (n) **Provisions**

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

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

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

#### (o) **Share capital**

##### (i) **Ordinary shares**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceed received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

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

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

#### (o) Share capital (Cont'd)

##### (ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity as treasury shares until the shares are cancelled, reissued or disposed of. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is deducted against the retained earnings of the Company.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration, net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

#### (p) Borrowing costs

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

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

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



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

#### (q) Employee benefits

##### (i) Short term employee benefits

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

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

##### (ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

##### (iii) Equity-settled Share-based Payment Transaction

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

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

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

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

#### (q) **Employee benefits (Cont'd)**

##### (iii) **Equity-settled Share-based Payment Transaction (Cont'd)**

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

#### (r) **Segments reporting**

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

#### (s) **Revenue recognition**

##### (i) *Revenue from contracts with customers*

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

##### (a) Sales of goods

Revenue from sale of goods is recognised when control of the products has transferred, being the products are delivered to the customer.

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes.

##### (b) Management fee

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

##### (ii) *Revenue from other sources*

##### (a) Interest income

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

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

#### (s) Revenue recognition (Cont'd)

##### (ii) *Revenue from other sources (Cont'd)*

##### (b) Rental income

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

##### (c) Dividend income

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

#### (t) Income taxes

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

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

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

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

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

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

#### (t) Income taxes (Cont'd)

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

#### (u) Government grants

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

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

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

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

#### (v) Contingencies

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

## 4. Property, Plant and Equipment

| Group                             | Lab and office                         |  |   |   |                         |                                |                   |                                       |   |                                 |                                       | Total       |
|-----------------------------------|--|--|---|---|-------------------------|--------------------------------|-------------------|---------------------------------------|---|---------------------------------|---------------------------------------|-------------|
|                                   | Freehold<br>land and<br>building<br>RM | Leasehold<br>land and<br>buildings<br>RM | Computer<br>system and<br>peripherals<br>RM | equipment,<br>furniture<br>and fittings<br>RM | Motor<br>vehicles<br>RM | Plant and<br>machineries<br>RM | Renovations<br>RM | Signage<br>and display<br>items<br>RM | Infra-<br>structure<br>expenditures<br>RM | Plantation<br>expenditure<br>RM | Capital<br>work-in-<br>progress<br>RM |             |
| <b>2019</b>                       |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| <b>Cost</b>                       |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| As at 1 January 2019,             |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| as previously stated              | 1,725,900                              | 7,667,130                                | 2,388,464                                   | 3,884,867                                     | 2,558,862               | 38,469,600                     | 7,845,133         | 1,317,386                             | 5,626,793                                 | 343,630                         | 904,180                               | 72,731,945  |
| Effect of adopting MFRS 16        | -                                      | (7,667,130)                              | -   | -   | (1,013,055)             | -                              | -                 | -                                     | -   | -                               | -                                     | (8,680,185) |
| As at 1 January 2019, as restated | 1,725,900                              | -  | 2,388,464                                   | 3,884,867                                     | 1,545,807               | 38,469,600                     | 7,845,133         | 1,317,386                             | 5,626,793                                 | 343,630                         | 904,180                               | 64,051,760  |
| Additions                         | -                                      | -  | 70,152                                      | 180,756                                       | 35,000                  | 5,401,600                      | 7,489,694         | 35,810                                | 437,338                                   | 1,690,375                       | 602,787                               | 15,943,512  |
| Arising from acquisition          |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| of business                       | -                                      | -  | -   | 50,000  | -                       | -                              | 100,000           | -                                     | -   | -                               | -                                     | 150,000     |
| Written off                       | -                                      | -  | (59,977)                                    | (60,490)                                      | -                       | -                              | (111,739)         | (12,350)                              | -   | (544,767)                       | -                                     | (789,323)   |
| Exchange differences              | -                                      | -  | 236   | 2,649   | 1,291                   | 27,922                         | 24,070            | -                                     | -   | -                               | -                                     | 56,168      |
| At 31 December 2019               | 1,725,900                              | -  | 2,398,875                                   | 4,057,782                                     | 1,582,098               | 43,899,122                     | 15,347,158        | 1,340,846                             | 6,064,131                                 | 1,489,238                       | 1,506,967                             | 79,412,117  |
| <b>Accumulated depreciation</b>   |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| As at 1 January 2019,             |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| as previously stated              | 157,178                                | 395,764                                  | 1,583,568                                   | 1,971,485                                     | 1,370,862               | 14,183,376                     | 3,253,804         | 786,960                               | 1,407,947                                 | 52,717                          | -                                     | 25,163,661  |
| Effect of adopting MFRS 16        | -                                      | (395,764)                                | -   | -   | (321,268)               | -                              | -                 | -                                     | -   | -                               | -                                     | (717,032)   |
| As at 1 January 2019, as restated | 157,178                                | -  | 1,583,568                                   | 1,971,485                                     | 1,049,594               | 14,183,376                     | 3,253,804         | 786,960                               | 1,407,947                                 | 52,717                          | -                                     | 24,446,629  |
| Charge for the financial year     | 34,953                                 | -  | 166,742                                     | 483,690                                       | 179,451                 | 3,796,009                      | 893,587           | 119,639                               | 574,351                                   | 205,841                         | -                                     | 6,454,263   |
| Written off                       | -                                      | -  | (57,915)                                    | (52,996)                                      | -                       | -                              | (22,687)          | (5,235)                               | -   | -                               | -                                     | (138,833)   |
| Exchange differences              | -                                      | -  | 67  | 531   | 188                     | 6,900                          | 691               | -                                     | -   | -                               | -                                     | 8,377       |
| At 31 December 2019               | 192,131                                | -  | 1,692,462                                   | 2,402,710                                     | 1,229,233               | 17,986,285                     | 4,125,395         | 901,364                               | 1,982,298                                 | 258,558                         | -                                     | 30,770,436  |
| <b>Carrying amount</b>            |  |  |   |   |                         |                                |                   |                                       |   |                                 |                                       |             |
| At 31 December 2019               | 1,533,769                              | -  | 706,413                                     | 1,655,072                                     | 352,865                 | 25,912,837                     | 11,221,763        | 439,482                               | 4,081,833                                 | 1,230,680                       | 1,506,967                             | 48,641,681  |

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

| Group                                   | Freehold<br>land and<br>building<br>RM | Leasehold<br>land and<br>buildings<br>RM | Computer<br>system and<br>peripherals<br>RM | Lab and office<br>equipments,<br>furniture<br>and fittings<br>RM | Motor<br>vehicles<br>RM | Plant and<br>machineries<br>RM | Renovations<br>RM | Signage<br>and display<br>items<br>RM | Infra-<br>structure<br>expenditures<br>RM | Plantation<br>expenditure<br>RM | Capital<br>work-in-<br>progress<br>RM | Total<br>RM |
|---|--|--|---|--|-------------------------|--------------------------------|-------------------|---------------------------------------|---|---------------------------------|---------------------------------------|-------------|
|   |  |  |   |  |                         |                                |                   |                                       |   |                                 |                                       |             |
| <b>2018</b>                             |  |  |   |  |                         |                                |                   |                                       |   |                                 |                                       |             |
| <b>Cost</b>                             |  |  |   |  |                         |                                |                   |                                       |   |                                 |                                       |             |
| At 1 January 2018                       | 1,725,900                              | 4,067,129                                | 2,220,134                                   | 3,324,715  | 2,256,439               | 31,727,027                     | 5,895,238         | 1,338,611                             | 5,256,868                                 | 190,164                         | -                                     | 58,002,225  |
| Additions                               | -                                      | 3,600,001                                | 188,808                                     | 637,337  | 531,694                 | 8,213,437                      | 1,874,402         | -                                     | 369,925                                   | 208,207                         | 904,180                               | 16,527,991  |
| Arising from acquisition<br>of business | -                                      | -  | 3,695                                       | 29,329   | -                       | -                              | 254,908           | 4,941                                 | -   | -                               | -                                     | 292,873     |
| Disposals                               | -                                      | -  | (23,806)                                    | (99,591)   | (224,503)               | (7,200)                        | (121,727)         | (26,166)                              | -   | -                               | -                                     | (502,993)   |
| Written off                             | -                                      | -  | -   | (1,411)  | (4,481)                 | (1,421,712)                    | (20,245)          | -                                     | -   | (54,741)                        | -                                     | (1,502,590) |
| Exchange differences                    | -                                      | -  | (367)                                       | (5,512)  | (287)                   | (41,952)                       | (37,443)          | -                                     | -   | -                               | -                                     | (85,561)    |
| At 31 December 2018                     | 1,725,900                              | 7,667,130                                | 2,388,464                                   | 3,884,867  | 2,558,862               | 38,469,600                     | 7,845,133         | 1,317,386                             | 5,626,793                                 | 343,630                         | 904,180                               | 72,731,945  |
| <b>Accumulated<br/>depreciation</b>     |  |  |   |  |                         |                                |                   |                                       |   |                                 |                                       |             |
| At 1 January 2018                       | 122,214                                | 324,840                                  | 1,447,933                                   | 1,536,175  | 1,040,146               | 12,031,373                     | 2,717,966         | 675,715                               | 867,456                                   | -                               | -                                     | 20,763,818  |
| Charge for the<br>financial year        | 34,964                                 | 70,924                                   | 150,385                                     | 453,285  | 375,665                 | 3,068,485                      | 552,408           | 121,339                               | 540,491                                   | 52,717                          | -                                     | 5,420,663   |
| Disposals                               | -                                      | -  | (14,689)                                    | (16,799)   | (44,901)                | (480)                          | (13,142)          | (10,094)                              | -   | -                               | -                                     | (100,105)   |
| Written off                             | -                                      | -  | -   | (585)  | -                       | (911,629)                      | (2,900)           | -                                     | -   | -                               | -                                     | (915,114)   |
| Exchange differences                    | -                                      | -  | (61)  | (591)  | (48)                    | (4,373)                        | (528)             | -                                     | -   | -                               | -                                     | (5,601)     |
| At 31 December 2018                     | 157,178                                | 395,764                                  | 1,583,568                                   | 1,971,485  | 1,370,862               | 14,183,376                     | 3,253,804         | 786,960                               | 1,407,947                                 | 52,717                          | -                                     | 25,163,661  |
| <b>Carrying amount</b>                  |  |  |   |  |                         |                                |                   |                                       |   |                                 |                                       |             |
| At 31 December 2018                     | 1,568,722                              | 7,271,366                                | 804,896                                     | 1,913,382  | 1,188,000               | 24,286,224                     | 4,591,329         | 530,426                               | 4,218,846                                 | 290,913                         | 904,180                               | 47,568,284  |

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

|                                 | Office<br>equipment<br>RM | Computer system<br>and peripherals<br>RM | Total<br>RM |
|---------------------------------|---------------------------|--|-------------|
| <b>Company</b>                  |                           |  |             |
| <b>2019</b>                     |                           |  |             |
| <b>Cost</b>                     |                           |  |             |
| At 1 January/31 December        | 1,049                     | 6,005                                    | 7,054       |
| <b>Accumulated depreciation</b> |                           |  |             |
| At 1 January 2019               | 525                       | 500                                      | 1,025       |
| Charge for the financial year   | 105                       | 1,201                                    | 1,306       |
| At 31 December 2019             | 630                       | 1,701                                    | 2,331       |
| <b>Carrying amount</b>          |                           |  |             |
| At 31 December 2019             | 419                       | 4,304                                    | 4,723       |
| <b>2018</b>                     |                           |  |             |
| <b>Cost</b>                     |                           |  |             |
| At 1 January 2018               | 1,049                     | -  | 1,049       |
| Additions                       | -                         | 6,005                                    | 6,005       |
| At 31 December 2018             | 1,049                     | 6,005                                    | 7,054       |
| <b>Accumulated depreciation</b> |                           |  |             |
| At 1 January 2018               | 420                       | -  | 420         |
| Charge for the financial year   | 105                       | 500                                      | 605         |
| At 31 December 2018             | 525                       | 500                                      | 1,025       |
| <b>Carrying amount</b>          |                           |  |             |
| At 31 December 2018             | 524                       | 5,505                                    | 6,029       |

**4. Property, Plant and Equipment (Cont'd)****(a) Assets pledged as securities to a licensed bank**

The carrying amount of property, plant and equipment of the Group pledged to licensed bank as securities for bank facilities granted to its subsidiary companies as disclosed in Note 20 to the financial statements:

|                              | <b>Group</b> |             |
|------------------------------|--------------|-------------|
|                              | <b>2019</b>  | <b>2018</b> |
|                              | <b>RM</b>    | <b>RM</b>   |
| Freehold land and building   | 1,533,769    | 1,568,722   |
| Leasehold land and buildings | -            | 7,271,366   |

**(b) The remaining lease period of the leasehold land and buildings are ranging from Nil to Nil years (2018: 87 to 95 years).****(c) Assets pledged as securities to non-financial institution**

The carrying amount of property, plant and equipment of the Group pledged to Malaysia Bioeconomy Development Corporation Sdn. Bhd. as securities for the credit facility as disclosed in Note 20 to the financial statements:

|                       | <b>Group</b> |             |
|-----------------------|--------------|-------------|
|                       | <b>2019</b>  | <b>2018</b> |
|                       | <b>RM</b>    | <b>RM</b>   |
| Plant and machineries | 450,000      | 525,000     |

**(d) Assets held under finance leases**

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

|                | <b>Group</b> |             |
|----------------|--------------|-------------|
|                | <b>2019</b>  | <b>2018</b> |
|                | <b>RM</b>    | <b>RM</b>   |
| Motor vehicles | -            | 1,183,510   |

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



**4. Property, Plant and Equipment (Cont'd)****(e) Purchases of property, plant and equipment**

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

|   | <b>Group</b>      |                   |
|---|-------------------|-------------------|
|   | <b>2019</b>       | <b>2018</b>       |
|   | <b>RM</b>         | <b>RM</b>         |
| Aggregate costs                           | 15,943,512        | 16,527,991        |
| Less: Leases financing                    | -                 | (268,900)         |
| Less: Reclassified from other receivables | (4,251,252)       | (1,212,266)       |
| Cash payments                             | <u>11,692,260</u> | <u>15,046,825</u> |

- (f) During the year, following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to ROU assets as disclosed in Note 6 to the financial statements.

**5. Investment in Subsidiary Companies**

|                           | <b>Company</b>    |                   |
|---------------------------|-------------------|-------------------|
|                           | <b>2019</b>       | <b>2018</b>       |
|                           | <b>RM</b>         | <b>RM</b>         |
| Unquoted shares, at cost: |                   |                   |
| - In Malaysia             | 12,719,230        | 12,719,130        |
| - Outside Malaysia        | <u>997,206</u>    | <u>997,206</u>    |
|                           | <u>13,716,436</u> | <u>13,716,336</u> |

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

Details of the subsidiary companies are as follows:

| Name of company                  | Place of business<br>/ Country of<br>Incorporation | Effective Interest |           | Principal activities   |
|----------------------------------|--|--------------------|-----------|--|
|                                  |  | 2019<br>%          | 2018<br>% |  |
| Bioalpha International Sdn. Bhd. | Malaysia   | 100                | 100       | Research and development and manufacturers, importers, exporters, distribution and traders of nutritional and healthcare products  |
| Bioalpha R&D Sdn. Bhd.           | Malaysia   | 100                | 100       | Research and development and manufacturers, suppliers, distributors, wholesalers or retailers of healthcare and nutritional products   |
| Botanical Distribution Sdn. Bhd. | Malaysia   | 100                | 100       | Suppliers, distributors, direct selling agents, wholesaler, retailer or conduct advertising and promotion activities which related to health supplements and nutrition products  |
| Bioalpha (HK) Limited*           | Hong Kong  | 100                | 100       | Research and development, manufactures, importers, exporters, distribution and traders of nutritional and health supplement products   |
| Bioalpha Wellness Sdn. Bhd.      | Malaysia   | 100                | -         | Distributing and trading, research and development activities, manufacturing, importing and exporting of personal care and healthcare products, conduct advertising and promotional activities related to personal care and healthcare products. |

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

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

| Name of company  | Place of business | Effective Interest |      | Principal activities  |
|--|-------------------|--------------------|------|---|
|  | / Country of      | 2019               | 2018 |   |
|  | Incorporation     | %                  | %    |   |
| <b><i>Held through Bioalpha International Sdn. Bhd.:</i></b> |                   |                    |      |   |
| Bioalpha Agro Sdn. Bhd.                                      | Malaysia          | 72                 | 72   | Import, export, cultivate, manufacture, distribute and trade in variety of agro products and medical herbs  |
| Bioalpha East Coast Agro Sdn. Bhd.                           | Malaysia          | 100                | 100  | Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products  |
| PT Herbal Malindo Makmur*                                    | Indonesia         | 60                 | 60   | General trade, wholesale and retail trade of pharmaceutical and traditional medicine  |
| <b><i>Held through Botanical Distribution Sdn. Bhd.:</i></b> |                   |                    |      |   |
| Alphacare Sdn. Bhd.  | Malaysia          | 85                 | 85   | Concept shop operators, general merchants, online trading agents, franchisors, wholesaler or retailer of healthcare, nutritional products, food & beverages |
| Mediconstant Holding Sdn. Bhd.                               | Malaysia          | 100                | 100  | Investment holding and provision of management services   |
| <b><i>Held through Bioalpha Agro Sdn. Bhd.:</i></b>          |                   |                    |      |   |
| Bioalpha (Johor Herbal) Sdn. Bhd.                            | Malaysia          | 50.4               | 50.4 | Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products  |

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

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

| Name of company  | Place of business<br>/ Country of<br>Incorporation | Effective Interest |           | Principal activities  |
|--|--|--------------------|-----------|---|
|  |  | 2019<br>%          | 2018<br>% |   |
| <b><i>Held through<br/>Mediconstant<br/>Holding Sdn. Bhd.:</i></b> |  |                    |           |   |
| Mediconstant Pharmacy<br>Sdn. Bhd.                                 | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant Pharmacy<br>(Ampang) Sdn. Bhd.                        | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant<br>Management Sdn. Bhd.                               | Malaysia   | 100                | 100       | Provision of management and<br>consulting services, and trading<br>of pharmaceutical, healthcare<br>and nutrition products. |
| Mediconstant Pharmacy<br>(Desa Tasik) Sdn. Bhd.                    | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant Dynamic<br>Sdn. Bhd.                                  | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant Pharmacy<br>(Klang) Sdn. Bhd.                         | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant Pharmacy<br>(Puchong) Sdn. Bhd.                       | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant Pharmacy<br>(Sea Park) Sdn. Bhd.                      | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |
| Mediconstant Pharmacy<br>(Setapak) Sdn. Bhd.                       | Malaysia   | 100                | 100       | Pharmacy, druggists and<br>chemicals  |

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

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

| Name of company | Place of business<br>/ Country of<br>Incorporation | Effective Interest |      | Principal activities |
|-----------------|--|--------------------|------|----------------------|
|                 |  | 2019               | 2018 |                      |
|                 |  | %                  | %    |                      |

***Held through******Mediconstant******Holding Sdn. Bhd.:***

|   |          |     |     |                                      |
|---|----------|-----|-----|--------------------------------------|
| Mediconstant Pharmacy<br>(Taman Desa) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and<br>chemicals |
| Mediconstant Pharmacy<br>(TTDI) Sdn. Bhd.       | Malaysia | 100 | 100 | Pharmacy, druggists and<br>chemicals |

\* *Subsidiary companies not audited by UHY*

(a) Changes in group structure

***During the financial year:*****Acquisition of subsidiary company**

On 5 March 2019, the Company subscribed 100 ordinary shares in Bioalpha Wellness Sdn. Bhd. ("BWSB"), representing 100% equity interest in BWSB for a total cash consideration of RM100. Pursuant to that, BWSB became a wholly-owned subsidiary company of the Company.

**Acquisition of business**

On 1 April 2019, Mediconstant Holding Sdn. Bhd. ("MHSB"), a wholly-owned subsidiary company of the Company had entered into a Sale of Business Agreement ("SBA") with Pharmhouse Retail for acquisition of a pharmaceutical outlet for a total cash consideration of RM440,000.

The acquisition of the business includes identified property, plant and equipment, deposit receivables and inventories at the date of acquisitions and all its rights and operations stipulated in the SBA.

The liabilities relating to the business will remain with Pharmhouse Retail as MHSB does not intend to acquired the said liabilities from Pharmhouse Retail under the acquisition:

**5. Investment in Subsidiary Companies (Cont'd)****(a) Changes in group structure (Cont'd)*****During the financial year: (Cont'd)*****Acquisition of business (Cont'd)**

The following summaries the major classes of consideration transferred, and the recognised amounts of assets acquired assumed at the acquisition date.

**Fair value of consideration transferred**

|   | <b>Group<br/>2019<br/>RM</b> |
|---|------------------------------|
| Total cash consideration                            | 440,000                      |
| Less: Fair value of identifiable assets acquired    | <u>(390,000)</u>             |
| Goodwill arising from business combination (Note 7) | <u>50,000</u>                |

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and synergies expected to be achieved from integrating the business into the Group's existing retailing business.

**Fair value of identifiable assets acquired**

|                               | <b>Group<br/>2019<br/>RM</b> |
|-------------------------------|------------------------------|
| Property, plant and equipment | 150,000                      |
| Deposit receivables           | 21,250                       |
| Inventories                   | <u>218,750</u>               |
|                               | <u>390,000</u>               |

**Net cash outflows arising from acquisition of business**

|  | <b>Group<br/>2019<br/>RM</b> |
|--|------------------------------|
| Purchase consideration settled in cash | <u>440,000</u>               |

**5. Investment in Subsidiary Companies (Cont'd)****(a) Changes in group structure (Cont'd)*****During the financial year: (Cont'd)*****Acquisition of business (Cont'd)****Impact of the acquisition on the Statements of Profit or Loss and Other Comprehensive Income**

From the date of acquisition acquired business RM1,288,551 and RM210,568 to the Group's revenue and profit for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year from its continuing operations would have been RM1,288,551 and RM210,568 respectively.

***In previous financial year:*****Acquisition of business**

On 30 November 2018, Mediconstant Holding Sdn. Bhd. ("MHSB"), a wholly-owned subsidiary company of the Company had entered into a Sales and Purchase Agreement ("SPA") with Fortunate Dockyard & Fabrication Sdn. Bhd. for acquisition of three pharmaceutical outlets for a total cash consideration of RM800,000.

The acquisition of the business includes identified property, plant and equipment amounted to RM292,873 at the date of acquisition and all its rights and operations as stipulated in the SPA.

The liabilities relating to the business will remain with Fortunate Dockyard & Fabrication Sdn. Bhd. as MHSB does not intend to acquire the said liabilities from Fortunate Dockyard & Fabrication Sdn. Bhd. under the acquisition.

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

**Fair value of consideration transferred**

|   | <b>Group<br/>2018<br/>RM</b> |
|---|------------------------------|
| Cash consideration                                  | 800,000                      |
| Less: Fair value of property, plant and equipment   | (292,873)                    |
| Goodwill arising from business combination (Note 7) | <u>507,127</u>               |

**5. Investment in Subsidiary Companies (Cont'd)****(a) Changes in group structure (Cont'd)*****In previous financial year: (Cont'd)*****Acquisition of business (Cont'd)**

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and synergies expected to be achieved from integrating the business into the Group's existing retailing business.

**Fair value of identifiable assets acquired**

**Group  
2018  
RM**

Property, plant and equipment

**292,873**

**Net cash outflows arising from acquisition of business**

**Group  
2018  
RM**

Purchase consideration settled in cash

**800,000**

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

From the date of acquisition acquired business has contributed RM230,012 and RM130,211 to the Group's revenue and profit for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year from its continuing operations would have been RM230,012 and RM130,211 respectively.



**5. Investment in Subsidiary Companies (Cont'd)****(b) Material partly-owned subsidiary companies**

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

| Name of company                             | Proportion of ownership interests and voting rights held by non-controlling interests |      | Profit/(loss) allocated to non-controlling interests |          | Accumulated non-controlling interests |           |
|---|---|------|--|----------|---------------------------------------|-----------|
|   | 2019  | 2018 | 2019   | 2018     | 2019                                  | 2018      |
|   | %   | %    | RM   | RM       | RM                                    | RM        |
| Bioalpha Agro Sdn. Bhd. ("BASB")            | 28  | 28   | 14,668   | 32,331   | (10,429)                              | (25,097)  |
| Bioalpha (Johor Herbal) Sdn. Bhd. ("BJHSB") | 49.6  | 49.6 | 190,341  | 63,512   | (399,891)                             | (590,232) |
| Alphacare Sdn. Bhd. ("Alpha")               | 15  | 15   | (18,312)   | (11,900) | 86,634                                | 104,946   |
| PT Herbal Malindo Makmur ("PTHM")           | 40  | 40   | (166,977)  | (67,051) | 40,293                                | 207,270   |
| Total non-controlling interests             |   |      | 19,720   | 16,892   | (283,393)                             | (303,113) |

**5. Investment in Subsidiary Companies (Cont'd)****(b) Material partly-owned subsidiary companies (Cont'd)**

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

**(i) Summarised statements of financial position**

|                          | <b>BASB<br/>RM</b> | <b>BJHSB<br/>RM</b> | <b>ALPHA<br/>RM</b> | <b>PTHM<br/>RM</b> |
|--------------------------|--------------------|---------------------|---------------------|--------------------|
| <b>2019</b>              |                    |                     |                     |                    |
| Non-current assets       | 1,045,543          | 671,130             | 477,693             | 729,644            |
| Current assets           | 2,727,472          | 1,085,353           | 204,966             | 797,127            |
| Non-current liabilities  | (275,047)          | -                   | -                   | (37,675)           |
| Current liabilities      | (3,535,217)        | (2,563,481)         | (105,091)           | (1,431,936)        |
| Net (liabilities)/assets | <u>(37,249)</u>    | <u>(806,998)</u>    | <u>577,568</u>      | <u>57,160</u>      |
|                          | <b>BASB<br/>RM</b> | <b>BJHSB<br/>RM</b> | <b>ALPHA<br/>RM</b> | <b>PTHM<br/>RM</b> |
| <b>2018</b>              |                    |                     |                     |                    |
| Non-current assets       | 1,291,635          | 254,524             | 582,911             | 878,647            |
| Current assets           | 1,881,622          | 147,966             | 218,141             | 630,626            |
| Non-current liabilities  | (305,761)          | -                   | -                   | -                  |
| Current liabilities      | (2,957,129)        | (1,584,570)         | (101,406)           | (1,033,150)        |
| Net (liabilities)/assets | <u>(89,633)</u>    | <u>(1,182,080)</u>  | <u>699,646</u>      | <u>476,123</u>     |

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

|   | <b>BASB<br/>RM</b> | <b>BJHSB<br/>RM</b> | <b>ALPHA<br/>RM</b> | <b>PTHM<br/>RM</b> |
|---|--------------------|---------------------|---------------------|--------------------|
| <b>2019</b>   |                    |                     |                     |                    |
| Revenue   | 1,035,844          | 1,102,445           | 1,310               | 56,873             |
| Profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year | <u>52,384</u>      | <u>381,698</u>      | <u>(122,078)</u>    | <u>(444,675)</u>   |

**5. Investment in Subsidiary Companies (Cont'd)****(b) Material partly-owned subsidiary companies (Cont'd)**

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

**(ii) Summarised statements of profit or loss and other comprehensive income (Cont'd)**

|   | <b>BASB<br/>RM</b> | <b>BJHSB<br/>RM</b> | <b>ALPHA<br/>RM</b> | <b>PTHM<br/>RM</b> |
|---|--------------------|---------------------|---------------------|--------------------|
| <b>2018</b>   |                    |                     |                     |                    |
| Revenue   | 1,243,075          | 801,332             | 13,499              | 378,225            |
| Profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year | <u>115,467</u>     | <u>128,049</u>      | <u>(79,330)</u>     | <u>(167,627)</u>   |

**(iii) Summarised statements of cash flows**

|  | <b>BASB<br/>RM</b> | <b>BJHSB<br/>RM</b> | <b>ALPHA<br/>RM</b> | <b>PTHM<br/>RM</b> |
|--|--------------------|---------------------|---------------------|--------------------|
| <b>2019</b>  |                    |                     |                     |                    |
| Net cash from operating activities                   | 41,847             | 498,959             | 9,150               | 3,468              |
| Net cash used in investing activities                | -                  | (430,542)           | -                   | (2,082)            |
| Net cash used in financing activities                | <u>(29,975)</u>    | <u>(68,296)</u>     | <u>-</u>            | <u>(3,551)</u>     |
| Net increase/(decrease) in cash and cash equivalents | <u>11,872</u>      | <u>121</u>          | <u>9,150</u>        | <u>(2,165)</u>     |
| <b>2018</b>  |                    |                     |                     |                    |
| Net cash from/(used in) operating activities         | 26,684             | 197,441             | (2,006,165)         | 23,389             |
| Net cash (used in)/from investing activities         | -                  | (198,736)           | 2,000,000           | (45,950)           |
| Net cash used in financing activities                | <u>(29,584)</u>    | <u>-</u>            | <u>-</u>            | <u>-</u>           |
| Net decrease in cash and cash equivalents            | <u>(2,900)</u>     | <u>(1,295)</u>      | <u>(6,165)</u>      | <u>(22,561)</u>    |

## 6. Right-of-use Assets

|  | Land and<br>buildings<br>RM | Motor<br>vehicles<br>RM | Total<br>RM |
|--|-----------------------------|-------------------------|-------------|
| <b>Group<br/>2019</b>                      |                             |                         |             |
| <b>Cost</b>                                |                             |                         |             |
| As at 1 January 2019, as previously stated | -                           | -                       | -           |
| Effect of adopting MFRS 16                 | 13,234,483                  | 1,013,055               | 14,247,538  |
| As at 1 January 2019, as restated          | 13,234,483                  | 1,013,055               | 14,247,538  |
| Additions                                  | 2,318,046                   | 256,270                 | 2,574,316   |
| Written off                                | (99,118)                    | -                       | (99,118)    |
| Exchange differences                       | (164)                       | -                       | (164)       |
| At 31 December 2019                        | 15,453,247                  | 1,269,325               | 16,722,572  |
| <b>Accumulated amortisation</b>            |                             |                         |             |
| As at 1 January 2019, as previously stated | -                           | -                       | -           |
| Effect of adopting MFRS 16                 | 1,674,544                   | 321,268                 | 1,995,812   |
| As at 1 January 2019, as restated          | 1,674,544                   | 321,268                 | 1,995,812   |
| Charge for the financial year              | 1,209,362                   | 239,011                 | 1,448,373   |
| Written off                                | (99,118)                    | -                       | (99,118)    |
| Exchange differences                       | 98                          | -                       | 98          |
| At 31 December 2019                        | 2,784,886                   | 560,279                 | 3,345,165   |
| <b>Carrying amount</b>                     |                             |                         |             |
| At 31 December 2019                        | 12,668,361                  | 709,046                 | 13,377,407  |

## (a) Assets pledged as securities to a licensed bank

The carrying amount of right-of-use assets of the Group pledged to licensed bank as securities for bank facilities granted to its subsidiary companies as disclosed in Note 20 to the financial statements:

|                    | <b>Group</b>       |                    |
|--------------------|--------------------|--------------------|
|                    | <b>2019<br/>RM</b> | <b>2018<br/>RM</b> |
| Land and buildings | 7,166,067          | -                  |

**6. Right-of-use Assets (Cont'd)****(b) Assets held under finance leases**

The carrying amount of right-of-use assets of the Group held under leases arrangement are as follow:

|                | <b>Group</b>   |             |
|----------------|----------------|-------------|
|                | <b>2019</b>    | <b>2018</b> |
|                | <b>RM</b>      | <b>RM</b>   |
| Motor vehicles | <u>709,046</u> | <u>-</u>    |

The leased assets are pledged as security for the related lease liabilities as disclosed in Note 19 to the financial statements.

**(c) Purchases of right-of-use assets**

The aggregate additional cost for the right-of-use assets of the Group during the financial year acquired under lease liabilities and cash payments are as follows:

|   | <b>Group</b>    |             |
|---|-----------------|-------------|
|   | <b>2019</b>     | <b>2018</b> |
|   | <b>RM</b>       | <b>RM</b>   |
| Aggregate costs                           | 2,574,316       | -           |
| Less: Leases liabilities                  | (2,535,046)     | -           |
| Less: Reclassified from other receivables | <u>(26,800)</u> | <u>-</u>    |
| Cash payments                             | <u>12,470</u>   | <u>-</u>    |

**7. Goodwill on Consolidation**

|   | <b>Group</b>     |                  |
|---|------------------|------------------|
|   | <b>2019</b>      | <b>2018</b>      |
|   | <b>RM</b>        | <b>RM</b>        |
| At 1 January                                      | 5,841,157        | 5,334,030        |
| Acquisition through business combination (Note 5) | 50,000           | 507,127          |
| At 31 December                                    | <u>5,891,157</u> | <u>5,841,157</u> |

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGU") are as follows:

|                                | <b>Group</b>     |                  |
|--------------------------------|------------------|------------------|
|                                | <b>2019</b>      | <b>2018</b>      |
|                                | <b>RM</b>        | <b>RM</b>        |
| Mediconstant Holding Sdn. Bhd. | <u>5,891,157</u> | <u>5,841,157</u> |

(a) Recoverable amount on value in use

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

- (i) Pre-tax cash flow projection based on the most recent financial budgets covering a five years period;
- (ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is ranged from 4% to 7% (2018: 10% to 16%); and
- (iii) Pre-tax discount rate of 9% (2018: 11%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was based estimated based on the Group's weighted average cost of capital.

## 7. Goodwill on Consolidation (Cont'd)

### (a) Recoverable amount on value in use (Cont'd)

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

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

### (b) Sensitivity to changes in assumptions

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

## 8. Intangible Assets

|                                     | <b>Development<br/>expenditures<br/>RM</b> | <b>Patents<br/>RM</b> | <b>Total<br/>RM</b> |
|-------------------------------------|--|-----------------------|---------------------|
| <b>2019</b>                         |  |                       |                     |
| <b>Cost</b>                         |  |                       |                     |
| At 1 January 2019                   | 47,769,697                                 | -                     | 47,769,697          |
| Additions                           | 11,812,456                                 | 877,354               | 12,689,810          |
| Exchange differences                | (10,354)                                   | -                     | (10,354)            |
| At 31 December 2019                 | <u>59,571,799</u>                          | <u>877,354</u>        | <u>60,449,153</u>   |
| <b>Accumulated amortisation</b>     |  |                       |                     |
| At 1 January 2019                   | 12,192,178                                 | -                     | 12,192,178          |
| Amortisation for the financial year | <u>3,706,419</u>                           | <u>11,906</u>         | <u>3,718,325</u>    |
| At 31 December 2019                 | <u>15,898,597</u>                          | <u>11,906</u>         | <u>15,910,503</u>   |
| <b>Carrying amount</b>              |  |                       |                     |
| 31 December 2019                    | <u>43,673,202</u>                          | <u>865,448</u>        | <u>44,538,650</u>   |

## 8. Intangible Assets (Cont'd)

|                                     | Development<br>expenditures<br>RM | Patents<br>RM | Total<br>RM |
|-------------------------------------|-----------------------------------|---------------|-------------|
| <b>2018</b>                         |                                   |               |             |
| <b>Cost</b>                         |                                   |               |             |
| At 1 January 2018                   | 39,157,202                        | -             | 39,157,202  |
| Additions                           | 8,612,495                         | -             | 8,612,495   |
| At 31 December 2018                 | 47,769,697                        | -             | 47,769,697  |
| <b>Accumulated amortisation</b>     |                                   |               |             |
| At 1 January 2018                   | 8,625,191                         | -             | 8,625,191   |
| Amortisation for the financial year | 3,566,987                         | -             | 3,566,987   |
| At 31 December 2018                 | 12,192,178                        | -             | 12,192,178  |
| <b>Carrying amount</b>              |                                   |               |             |
| 31 December 2018                    | 35,577,519                        | -             | 35,577,519  |

Development expenditures

Development expenditure represents the costs incurred in respect of the on-going development of 2 high-value herbal products for diabetes and hormone replacement therapy, and the products development for the formulation of health supplement products.

## (a) Recoverable amount on value in use

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

- (i) Pre-tax cash flow projection based on the most recent financial budgets covering between five to fifteen years period;
- (ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is ranged from 4% to 9% (2018: 7% to 9%); and
- (iii) Pre-tax discount rate of 9% (2018: 11%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was based estimated based on the Group's weighted average cost of capital.

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

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



**8. Intangible Assets (Cont'd)**Development expenditures (Cont'd)**(b) Sensitivity to changes in assumptions**

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

**9. Biological Assets**

|                                     | <b>Group</b>   |                |
|-------------------------------------|----------------|----------------|
|                                     | <b>2019</b>    | <b>2018</b>    |
|                                     | <b>RM</b>      | <b>RM</b>      |
| <b>Cost</b>                         |                |                |
| At 1 January                        | 749,791        | 189,253        |
| Addition                            | 64,424         | 560,538        |
| At 31 December                      | <u>814,215</u> | <u>749,791</u> |
| <b>Accumulated amortisation</b>     |                |                |
| At 1 January                        | 106,441        | -              |
| Amortisation for the financial year | <u>125,341</u> | <u>106,441</u> |
| At 31 December                      | <u>231,782</u> | <u>106,441</u> |
| <b>Carrying amount</b>              |                |                |
| At 31 December                      | <u>582,433</u> | <u>643,350</u> |

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

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

**9. Biological Assets (Cont'd)**

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

|                       | <b>Group</b>  |                |
|-----------------------|---------------|----------------|
|                       | <b>2019</b>   | <b>2018</b>    |
|                       | <b>RM</b>     | <b>RM</b>      |
| Staff costs (Note 31) | <u>53,654</u> | <u>272,733</u> |

As at 31 December 2019, the Group has 1,303 acres (2018: 1,303 acres) of herbal plantations.

**10. Inventories**

|   | <b>Group</b>      |                  |
|---|-------------------|------------------|
|   | <b>2019</b>       | <b>2018</b>      |
|   | <b>RM</b>         | <b>RM</b>        |
| <b>At cost</b>                          |                   |                  |
| Raw materials                           | 2,493,416         | 2,110,849        |
| Consumables                             | 1,183,871         | 1,087,257        |
| Finished goods                          | <u>6,459,568</u>  | <u>5,830,195</u> |
|   | <u>10,136,855</u> | <u>9,028,301</u> |
| <b>Recognised in profit or loss:</b>    |                   |                  |
| Inventories recognised as cost of sales | 26,639,549        | 29,856,423       |
| Inventories written off                 | <u>-</u>          | <u>(15,455)</u>  |

**11. Trade Receivables**

|                                     | <b>Group</b>      |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>2019</b>       | <b>2018</b>       |
|                                     | <b>RM</b>         | <b>RM</b>         |
| Trade receivables                   | 45,312,877        | 40,156,191        |
| Less: Accumulated impairment losses | <u>(682,962)</u>  | <u>(624,459)</u>  |
|                                     | <u>44,629,915</u> | <u>39,531,732</u> |

Trade receivables are non-interest bearing and are generally on cash term to 180 days (2018: cash term to 180 days) term. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

## 12. Other Receivables

|                                     | <b>Group</b>      |                   | <b>Company</b> |                |
|-------------------------------------|-------------------|-------------------|----------------|----------------|
|                                     | <b>2019</b>       | <b>2018</b>       | <b>2019</b>    | <b>2018</b>    |
|                                     | <b>RM</b>         | <b>RM</b>         | <b>RM</b>      | <b>RM</b>      |
| Other receivables                   | 4,457,327         | 8,504,490         | 55,242         | 105,991        |
| Deposits                            | 4,098,374         | 4,399,250         | -              | -              |
| Prepayments                         | 4,590,989         | 4,244,135         | 98,650         | 9,522          |
| GST recoverable                     | 13,052            | 18,578            | 11,935         | 11,935         |
|                                     | <u>13,159,742</u> | <u>17,166,453</u> | <u>165,827</u> | <u>127,448</u> |
| Less: Accumulated impairment losses | (275)             | (275)             | -              | -              |
|                                     | <u>13,159,467</u> | <u>17,166,178</u> | <u>165,827</u> | <u>127,448</u> |

(a) Included in the deposits of the Group amounting to RM1,712,841 (2018: RM3,056,322) are paid for purchases of property, plant and equipment.

(b) Included in the prepayments of the Group amounting to RM1,489,188 (2018: RM3,831,846) is paid for purchases of property, plant and equipment.

## 13. Amount Due from/(to) Subsidiary Companies

|                                     | <b>2019</b>       | <b>2018</b>       |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>RM</b>         | <b>RM</b>         |
| Amount due from subsidiary company: |                   |                   |
| - Non-current                       | 34,988,336        | -                 |
| - Current                           | 49,187,985        | 72,520,699        |
| Amount due to subsidiary company:   | -                 | (4,800)           |
|                                     | <u>84,176,321</u> | <u>72,515,899</u> |
| Less: Accumulated impairment losses |                   |                   |
| - Non-current                       | (892,260)         | -                 |
|                                     | <u>83,284,061</u> | <u>72,515,899</u> |

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

## 14. Other Investments

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2019</b>   | <b>2018</b>   |
|  | <b>RM</b>     | <b>RM</b>     |
| <b>Current</b>   |               |               |
| Financial assets at fair value through profit or loss: |               |               |
| - Unquoted money market fund                           | <u>11,378</u> | <u>11,001</u> |

**15. Fixed Deposits with Licensed Banks**

|  | <b>Group</b>     |                   | <b>Company</b>   |                  |
|--|------------------|-------------------|------------------|------------------|
|  | <b>2019</b>      | <b>2018</b>       | <b>2019</b>      | <b>2018</b>      |
|  | <b>RM</b>        | <b>RM</b>         | <b>RM</b>        | <b>RM</b>        |
| Fixed deposits with licensed banks         |                  |                   |                  |                  |
| Maturity:                                  |                  |                   |                  |                  |
| - less than 3 months                       | 5,115,432        | 1,559,252         | -                | 1,200,000        |
| - more than 3 months                       | 3,500,000        | 16,000,000        | 3,500,000        | 7,000,000        |
| Fixed deposits pledged with licensed banks |                  |                   |                  |                  |
|  | <u>1,066,466</u> | <u>1,031,462</u>  | <u>-</u>         | <u>-</u>         |
|  | <u>9,681,898</u> | <u>18,590,714</u> | <u>3,500,000</u> | <u>8,200,000</u> |

The interest rates of fixed deposits of the Group and of the Company range from 2.65% to 4.20% (2018: 3.15% to 4.20%) per annum and 3.58% to 4.00% (2018: 3.40% to 4.20%) per annum respectively. The maturities of deposits of the Group and of the Company range from 30 to 365 days (2018: 30 to 365 days).

The fixed deposits with licensed banks of the Group amounted to RM1,066,466 (2018: RM1,031,462) are pledged to licensed banks and non-financial institution respectively as securities for credit facilities granted to subsidiary companies as disclosed in Note 20 to the financial statements.

**16. Share Capital**

|                                     | <b>Group and Company</b>              |                    |                                   |                   |
|-------------------------------------|---------------------------------------|--------------------|-----------------------------------|-------------------|
|                                     | <b>&lt;-- Number of Shares --&gt;</b> |                    | <b>&lt;----- Amount -----&gt;</b> |                   |
|                                     | <b>2019</b>                           | <b>2018</b>        | <b>2019</b>                       | <b>2018</b>       |
|                                     | <b>Units</b>                          | <b>Units</b>       | <b>RM</b>                         | <b>RM</b>         |
| <b>Issued and fully paid shares</b> |                                       |                    |                                   |                   |
| <b>Ordinary shares</b>              |                                       |                    |                                   |                   |
| At 1 January                        | 860,209,032                           | 809,249,132        | 99,763,799                        | 87,453,673        |
| Issue of ordinary shares            |                                       |                    |                                   |                   |
| through Private Placement           | -                                     | 49,509,900         | -                                 | 11,882,376        |
| Exercise of SIS                     | -                                     | 1,450,000          | -                                 | 427,750           |
| At 31 December                      | <u>860,209,032</u>                    | <u>860,209,032</u> | <u>99,763,799</u>                 | <u>99,763,799</u> |

**16. Share Capital (Cont'd)**

In previous financial year, the number of issued and paid-up ordinary shares of the Company was increased from 809,249,132 to 860,209,032 by way of issuance of 49,509,900 new ordinary shares at issue price of RM0.24 through Private Placement; and the issuance of 1,450,000 ordinary shares through the exercises of the Share Issuance Scheme ('SIS') options at an exercise price of RM0.205.

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

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

**17. Reserves**

|  | Note | Group             |                   | Company         |                    |
|--|------|-------------------|-------------------|-----------------|--------------------|
|  |      | 2019<br>RM        | 2018<br>RM        | 2019<br>RM      | 2018<br>RM         |
| Treasury shares                                  | (a)  | (145,527)         | -                 | (145,527)       | -                  |
| Warrant reserve                                  | (b)  | 16,853,263        | 16,853,263        | 16,853,263      | 16,853,263         |
| Share Issuance<br>Scheme Option<br>reserve       | (c)  | 837,000           | 837,000           | 837,000         | 837,000            |
| Merger deficits                                  | (d)  | (4,969,130)       | (4,969,130)       | -               | -                  |
| Foreign currency<br>translation<br>reserve       | (e)  | (52,495)          | (137,660)         | -               | -                  |
| Other reserve                                    | (f)  | (16,853,263)      | (16,853,263)      | (16,853,263)    | (16,853,263)       |
| Retained<br>earnings/<br>(Accumulated<br>losses) |      | <u>70,113,333</u> | <u>62,126,573</u> | <u>(83,806)</u> | <u>(6,163,464)</u> |
|  |      | <u>65,783,181</u> | <u>57,856,783</u> | <u>607,667</u>  | <u>(5,326,464)</u> |

**17. Reserves (Cont'd)****(a) Treasury shares**

The shareholders of the Company, by a resolution passed in the last Extraordinary General Meeting held on 11 Jun 2019, approved the Company's plan to repurchase its own shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

|                   | <b>Group and Company</b> |             |                |             |
|-------------------|--------------------------|-------------|----------------|-------------|
|                   | <b>Number of shares</b>  |             | <b>Amount</b>  |             |
|                   | <b>2019</b>              | <b>2018</b> | <b>2019</b>    | <b>2018</b> |
|                   | <b>Unit</b>              | <b>Unit</b> | <b>RM</b>      | <b>RM</b>   |
| At 1 January      | -                        | -           | -              | -           |
| Share repurchased | 761,800                  | -           | 145,527        | -           |
| At 31 December    | <u>761,800</u>           | <u>-</u>    | <u>145,527</u> | <u>-</u>    |

During the financial year, the Company repurchased 761,800 (2018: Nil) of its issued share capital from the open market at an average price of RM0.19 (2018: RMNil) per share including transaction costs. The repurchased transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

**(b) Warrant reserve**

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

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

The Company executed a Deed Poll constituting the Warrants and the exercise price of the Warrants have been fixed at RM0.22 each. The Warrants may be exercised at any time within 5 years commencing on and including the date of issuance and expiring on 5 January 2022. Any Warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

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

As at 31 December 2019, the total number of Warrants that remain unexercised were 133,332,785 (2018: 133,332,785).

**17. Reserves (Cont'd)****(c) Share Issuance Scheme Option reserve**

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

The salient features of the SIS Options are as follows:

- (a) any employee of the Group shall be eligible if as at the date of offer, the employee:
  - (i) has attained at least eighteen (18) years of age;
  - (ii) is an employee in a company within the Group, which is not dormant belonging to such categories of employment as determined by the Option Committee; and
  - (iii) who falls under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.
- (b) any Director of the Group shall be eligible if as at the date of offer, the Director:
  - (i) is at least eighteen (18) years of age; and
  - (ii) has been appointed as a Director of a company within the Group, which is not dormant.
- (c) The maximum number of new shares to be issued pursuant to the exercise of the SIS Options which may be granted under the SIS Shares shall not exceed thirty percent (30%) of the total issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the SIS;
- (d) The options granted may be exercised any time upon the satisfaction of vesting conditions of each offer.
- (e) The SIS shall be in force for a period of five (5) years and the last day to exercise SIS Options is on 26 February 2022.
- (f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

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

| Date of Offer    | Exercise Price<br>RM | Number of options over ordinary shares |         |           |               |
|------------------|----------------------|--|---------|-----------|---------------|
|                  |                      | At 1.1.2019                            | Granted | Exercised | At 31.12.2019 |
| 27 February 2017 | 0.205                | 9,300,000                              | -       | -         | 9,300,000     |

**17. Reserves (Cont'd)****(c) Share Issuance Scheme Option reserve (Cont'd)**

Number of share options exercisable as at 31 December 2019 is 9,300,000 (2018: 9,300,000). The weighted average share price at the date of exercise for the financial year was RM0.227 (2018: RM0.227) per share option.

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

| <b>SIS Options</b> | <b>Weighted Average</b>  | <b>Exercise Price</b>    | <b>Exercise Period</b>  |
|--------------------|--------------------------|--------------------------|-------------------------|
|                    | <b>2019</b><br><b>RM</b> | <b>2019</b><br><b>RM</b> |                         |
| 27 February 2017   | 0.227                    | 0.205                    | 27.02.2017 - 26.02.2022 |

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

|                                 | <b>2019</b><br><b>RM</b> | <b>2018</b><br><b>RM</b> |
|---------------------------------|--------------------------|--------------------------|
| Fair value at granted date:     |                          |                          |
| 27 February 2017                | 0.0909                   | 0.0909                   |
| Weighted average share price    | 0.227                    | 0.227                    |
| Weighted average exercise price | 0.205                    | 0.205                    |
| Expected volatility (%)         | 34.74%                   | 34.74%                   |
| Expected life (years)           | 5 years                  | 5 years                  |
| Risk free rate (%)              | 3.698                    | 3.698                    |
| Expected dividend yield (%)     | Nil                      | Nil                      |

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



**17. Reserves (Cont'd)****(d) Merger deficits**

The merger deficits created during the listing and quotation exercise of the Company's share on the ACE Market of Bursa Malaysia Securities Berhad in year 2015, where the Company acquired Bioalpha International Sdn. Bhd. and its subsidiary companies, namely Bioalpha Agro Sdn. Bhd. and Bioalpha East Coast Agro Sdn. Bhd. that are under common control, as follows:

|   | <b>Group</b>       |                    |
|---|--------------------|--------------------|
|   | <b>2019</b>        | <b>2018</b>        |
|   | <b>RM</b>          | <b>RM</b>          |
| Cost of merger                                    | 12,719,130         | 12,719,130         |
| Less: Net assets of acquired subsidiary companies | <u>(7,750,000)</u> | <u>(7,750,000)</u> |
| Merger deficits                                   | <u>4,969,130</u>   | <u>4,969,130</u>   |

**(e) Foreign currency translation reserve**

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

**(f) Other reserve**

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 17(b) to the financial statements.

**18. Finance Lease Liabilities**

|  | <b>Group</b> |                 |
|--|--------------|-----------------|
|  | <b>2019</b>  | <b>2018</b>     |
|  | <b>RM</b>    | <b>RM</b>       |
| <b>Minimum lease payments:</b>                     |              |                 |
| Within one year                                    | -            | 180,282         |
| Later than one year and not later than two years   | -            | 168,178         |
| Later than two years and not later than five years | <u>-</u>     | <u>278,666</u>  |
|  | -            | 627,126         |
| Less: Future finance charges                       | <u>-</u>     | <u>(53,252)</u> |
| Present value of minimum finance lease payments    | <u>-</u>     | <u>573,874</u>  |

# 18. Finance Lease Liabilities (Cont'd)

|  | <b>Group</b> |                |
|--|--------------|----------------|
|  | <b>2019</b>  | <b>2018</b>    |
|  | <b>RM</b>    | <b>RM</b>      |
| <b>Present value of minimum finance lease payments</b> |              |                |
| Within one year  | -            | 157,968        |
| Later than one year and not later than two years       | -            | 150,518        |
| Later than two years and not later than five years     | -            | 265,388        |
|  | <u>-</u>     | <u>573,874</u> |
| <b>Analysed as:</b>                                    |              |                |
| Repayable within twelve months                         | -            | 157,968        |
| Repayable after twelve months                          | -            | 415,906        |
|  | <u>-</u>     | <u>573,874</u> |

The obligations under finance leases are secured by a charge over the leased assets (Note 4(d) to the financial statements). The interest rate of the Group for the finance leases as at reporting date is ranged from Nil% to Nil% (2018: 2.40% to 4.05%) per annum.

# 19. Lease Liabilities

|                                       | <b>Group</b>     |             |
|---------------------------------------|------------------|-------------|
|                                       | <b>2019</b>      | <b>2018</b> |
|                                       | <b>RM</b>        | <b>RM</b>   |
| As at 1 January, as previously stated | -                | -           |
| Effect of adoption MFRS 16            | 5,191,218        | -           |
| As at 1 January 2019, as restated     | <u>5,191,218</u> | <u>-</u>    |
| Additions                             | 2,535,046        | -           |
| Repayments                            | (1,193,790)      | -           |
| Exchange differences                  | (88)             | -           |
| At 31 December                        | <u>6,532,386</u> | <u>-</u>    |
| <b>Presented as:</b>                  |                  |             |
| Non-current                           | 5,176,844        | -           |
| Current                               | <u>1,355,542</u> | <u>-</u>    |

**19. Lease Liabilities (Cont'd)**

The maturity analysis of lease liabilities of the Group at the end of the reporting period:

|   | <b>Group</b>     |             |
|---|------------------|-------------|
|   | <b>2019</b>      | <b>2018</b> |
|   | <b>RM</b>        | <b>RM</b>   |
| Within one year                                   | 1,712,886        | -           |
| Later than one year and not later than two years  | 1,387,230        | -           |
| Later than two year and not later than five years | 1,372,440        | -           |
| Later than five year                              | 3,808,244        | -           |
|   | <u>8,280,800</u> | <u>-</u>    |
| Less: Future finance charges                      | (1,748,414)      | -           |
| Present value of lease liabilities                | <u>6,532,386</u> | <u>-</u>    |

The Group leases various land and buildings, and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

**20. Borrowings**

|                      | <b>Group</b>     |                  |
|----------------------|------------------|------------------|
|                      | <b>2019</b>      | <b>2018</b>      |
|                      | <b>RM</b>        | <b>RM</b>        |
| <b>Current</b>       |                  |                  |
| <b>Secured</b>       |                  |                  |
| Bank overdraft       | 427              | -                |
| Banker's acceptances | 630,000          | 144,000          |
| Term loans           | <u>651,022</u>   | <u>621,740</u>   |
|                      | <u>1,281,449</u> | <u>765,740</u>   |
| <b>Non-Current</b>   |                  |                  |
| <b>Secured</b>       |                  |                  |
| Term loans           | <u>4,185,815</u> | <u>4,810,429</u> |
|                      | <u>5,467,264</u> | <u>5,576,169</u> |

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

- (i) charge over certain freehold land and building, leasehold land and building, and plant and machineries of the Group as disclosed in Notes 4(a), 4(c) and 6(a) to the financial statements;
- (ii) charge on fixed deposits with licensed banks of the Group as disclosed in Note 15 to the financial statements;
- (iii) joint and severally guaranteed by Directors of the Company; and
- (iv) corporate guarantee by the Company.

**20. Borrowings (Cont'd)**

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

|                      | <b>Group</b>     |                  |
|----------------------|------------------|------------------|
|                      | <b>2019</b>      | <b>2018</b>      |
|                      | <b>%</b>         | <b>%</b>         |
| Bank overdraft       | 6.76             | -                |
| Banker's acceptances | 5.30             | 5.10             |
| Term loans           | <u>5.00-5.13</u> | <u>4.80-5.13</u> |

The maturities of borrowings of the Group are as follows:

|  | <b>Group</b>     |                  |
|--|------------------|------------------|
|  | <b>2019</b>      | <b>2018</b>      |
|  | <b>RM</b>        | <b>RM</b>        |
| Within one year                                    | 1,281,449        | 765,740          |
| Later than one year but not later than two years   | 684,476          | 653,137          |
| Later than two years but not later than five years | 805,643          | 1,689,627        |
| Later than five years                              | <u>2,695,696</u> | <u>2,467,665</u> |
|  | <u>5,467,264</u> | <u>5,576,169</u> |

**21. Deferred Tax Liabilities**

|                                | <b>Group</b>     |                  | <b>Company</b> |             |
|--------------------------------|------------------|------------------|----------------|-------------|
|                                | <b>2019</b>      | <b>2018</b>      | <b>2019</b>    | <b>2018</b> |
|                                | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>   |
| At 1 January                   | 6,481,014        | 4,057,259        | -              | -           |
| Recognised in profit or loss   | (31,745)         | 1,447,063        | (51)           | -           |
| Under provision in prior years | 1,658,411        | 976,692          | 51             | -           |
| At 31 December                 | <u>8,107,680</u> | <u>6,481,014</u> | <u>-</u>       | <u>-</u>    |

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

|                          | <b>Group</b>       |                    | <b>Company</b> |             |
|--------------------------|--------------------|--------------------|----------------|-------------|
|                          | <b>2019</b>        | <b>2018</b>        | <b>2019</b>    | <b>2018</b> |
|                          | <b>RM</b>          | <b>RM</b>          | <b>RM</b>      | <b>RM</b>   |
| Deferred tax liabilities | 11,338,969         | 11,382,480         | 244            | 76          |
| Deferred tax assets      | <u>(3,231,289)</u> | <u>(4,901,466)</u> | <u>(244)</u>   | <u>(76)</u> |
|                          | <u>8,107,680</u>   | <u>6,481,014</u>   | <u>-</u>       | <u>-</u>    |

**21. Deferred Tax Liabilities (Cont'd)**

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

**Deferred tax liabilities of the Group:**

|                                       | <b>Accelerated<br/>capital<br/>allowances<br/>RM</b> | <b>Development<br/>expenditures<br/>RM</b> | <b>Total<br/>RM</b> |
|---------------------------------------|--|--|---------------------|
| <b>Group</b>                          |  |  |                     |
| At 1 January 2019                     | 3,032,192  | 8,350,288                                  | 11,382,480          |
| Recognised in profit or loss          | 429,089  | -  | 429,089             |
| Over provision in prior years         | (462,587)  | (10,013)                                   | (472,600)           |
| At 31 December 2019                   | <u>2,998,694</u>                                     | <u>8,340,275</u>                           | <u>11,338,969</u>   |
| At 1 January 2018                     | 1,774,679  | 7,077,743                                  | 8,852,422           |
| Recognised in profit or loss          | 727,615  | 1,980,386                                  | 2,708,001           |
| Under/(Over) provision in prior years | 529,898  | (707,841)                                  | (177,943)           |
| At 31 December 2018                   | <u>3,032,192</u>                                     | <u>8,350,288</u>                           | <u>11,382,480</u>   |

**Deferred tax assets of the Group:**

|  | <b>Unused<br/>tax<br/>losses<br/>RM</b> | <b>Unutilised<br/>capital<br/>allowances<br/>RM</b> | <b>Unutilised<br/>reinvestment<br/>allowances<br/>RM</b> | <b>Other<br/>temporary<br/>differences<br/>RM</b> | <b>Total<br/>RM</b> |
|--|---|---|--|---|---------------------|
| <b>Group</b>                             |   |   |  |   |                     |
| At 1 January 2019                        | (625,669)                               | (1,455,736)   | (2,820,061)  | -   | (4,901,466)         |
| Recognised in profit<br>or loss          | 137,271                                 | 31,203  | (629,308)  | -   | (460,834)           |
| Under provision<br>in prior years        | 194,229                                 | 1,168,297   | 768,485  | -   | 2,131,011           |
| At 31 December 2019                      | <u>(294,169)</u>                        | <u>(256,236)</u>                                    | <u>(2,680,884)</u>                                       | <u>-</u>  | <u>(3,231,289)</u>  |
| At 1 January 2018                        | (1,318,022)                             | (2,003,714)   | (1,464,875)  | (8,552)   | (4,795,163)         |
| Recognised in profit<br>or loss          | (90,539)                                | (201,843)   | (980,640)  | 12,084  | (1,260,938)         |
| Under/(Over) provision<br>in prior years | 782,892                                 | 749,821   | (374,546)  | (3,532)   | 1,154,635           |
| At 31 December 2018                      | <u>(625,669)</u>                        | <u>(1,455,736)</u>                                  | <u>(2,820,061)</u>                                       | <u>-</u>  | <u>(4,901,466)</u>  |

## 21. Deferred Tax Liabilities (Cont'd)

### Deferred tax liabilities of the Company:

|  | <b>Accelerated<br/>capital<br/>allowances<br/>RM</b> |
|--|--|
| <b>Company</b>                         |  |
| At 1 January 2019                      | 76   |
| Recognised in profit or loss           | (144)  |
| Under provision in prior years         | 312  |
| At 31 December 2019                    | <u>244</u>   |
| <br>At 1 January 2018/31 December 2018 | <br><u>76</u>  |

### Deferred tax assets of the Company:

|  | <b>Unused<br/>tax<br/>losses<br/>RM</b> | <b>Unutilised<br/>capital<br/>allowance<br/>RM</b> | <b>Total<br/>RM</b> |
|--|---|--|---------------------|
| <b>Company</b>                         |   |  |                     |
| At 1 January 2019                      | (51)                                    | (25)   | (76)                |
| Recognised in profit or loss           | 51                                      | 144  | 195                 |
| Under provision in prior years         | -                                       | (363)  | (363)               |
| At 31 December 2019                    | <u>-</u>                                | <u>(244)</u>                                       | <u>(244)</u>        |
| <br>At 1 January 2018/31 December 2018 | <br><u>(51)</u>                         | <br><u>(25)</u>                                    | <br><u>(76)</u>     |

**21. Deferred Tax Liabilities (Cont'd)****Deferred tax assets of the Company: (Cont'd)**

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

|                               | <b>Group</b>      |                   | <b>Company</b> |                |
|-------------------------------|-------------------|-------------------|----------------|----------------|
|                               | <b>2019</b>       | <b>2018</b>       | <b>2019</b>    | <b>2018</b>    |
|                               | <b>RM</b>         | <b>RM</b>         | <b>RM</b>      | <b>RM</b>      |
| Unused tax losses             | 9,722,160         | 9,016,462         | 704,657        | 162,887        |
| Unutilised capital allowances | 740,852           | 994,404           | 1,596          | 289            |
|                               | <u>10,463,012</u> | <u>10,010,866</u> | <u>706,253</u> | <u>163,176</u> |

With effect from year of assessment 2019, unused tax losses are allowed to be carried forward up to a maximum of seven consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

**22. Trade Payables**

The normal trade credit term granted to the Group ranged from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

**23. Other Payables**

|                        | <b>Group</b>     |                  | <b>Company</b> |                |
|------------------------|------------------|------------------|----------------|----------------|
|                        | <b>2019</b>      | <b>2018</b>      | <b>2019</b>    | <b>2018</b>    |
|                        | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| Other payables         | 1,002,965        | 1,366,442        | 273,905        | 99,603         |
| Deposits               | 164,932          | 77,965           | -              | -              |
| Deferred capital grant | 1,206,614        | 1,575,005        | -              | -              |
| Accruals               | 1,432,116        | 825,469          | 149,868        | 149,159        |
| SST payables           | 79,933           | -                | -              | -              |
|                        | <u>3,886,560</u> | <u>3,844,881</u> | <u>423,773</u> | <u>248,762</u> |

**23. Other Payables (Cont'd)**

Deferred capital grant refers to government grant received from Malaysian Bioeconomy Development Corporation Sdn. Bhd. ("MBDC") and Malaysia Technology Development Corporation ("MTDC") for the acquisition of equipment for research activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is being amortised over the useful life of the plant as recognised in profit or loss.

The movement of the deferred capital grant is as follows:

|                                     | <b>Group</b>     |                  |
|-------------------------------------|------------------|------------------|
|                                     | <b>2019</b>      | <b>2018</b>      |
|                                     | <b>RM</b>        | <b>RM</b>        |
| At 1 January                        | 1,575,005        | 2,309,085        |
| Amortised during the financial year | (368,391)        | (734,080)        |
| At 31 December                      | <u>1,206,614</u> | <u>1,575,005</u> |

**24. Revenue**

|  | <b>Group</b>      |                   | <b>Company</b>   |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | <b>2019</b>       | <b>2018</b>       | <b>2019</b>      | <b>2018</b>      |
|  | <b>RM</b>         | <b>RM</b>         | <b>RM</b>        | <b>RM</b>        |
| <b>Revenue from contract customer:</b> |                   |                   |                  |                  |
| Sales of goods                         | 63,667,826        | 70,090,353        | -                | -                |
| Management fee                         | -                 | -                 | 642,600          | 734,988          |
|  | <u>63,667,826</u> | <u>70,090,353</u> | <u>642,600</u>   | <u>734,988</u>   |
| <b>Revenue from other sources:</b>     |                   |                   |                  |                  |
| Dividend income                        | -                 | -                 | 8,000,000        | 891,000          |
|  | <u>63,667,826</u> | <u>70,090,353</u> | <u>8,642,600</u> | <u>1,625,988</u> |

The timing of revenue recognition is at a point in time.



## 25. Finance Costs

|                              | <b>Group</b>   |                |
|------------------------------|----------------|----------------|
|                              | <b>2019</b>    | <b>2018</b>    |
|                              | <b>RM</b>      | <b>RM</b>      |
| <b>Interest expenses on:</b> |                |                |
| - Bank overdraft             | 57,132         | 28,585         |
| - Banker's acceptances       | 18,027         | 1,057          |
| - Term loans                 | 248,073        | 238,316        |
| - Finance leases             | -              | 28,611         |
| - Lease liabilities          | 239,382        | -              |
| - Others                     | 2,047          | -              |
|                              | <u>564,661</u> | <u>296,569</u> |

## 26. Profit/(Loss) before Taxation

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

|   | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2019</b>  | <b>2018</b> | <b>2019</b>    | <b>2018</b> |
|   | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| Auditors' remuneration:                       |              |             |                |             |
| - current year                                | 202,899      | 162,425     | 40,000         | 35,000      |
| - over/(under) provision in prior years       | 2,000        | (5,000)     | -              | (5,000)     |
| - others                                      | 30,000       | 5,000       | 30,000         | -           |
| Amortisation of intangible assets             | 3,718,325    | 3,566,987   | -              | -           |
| Amortisation of deferred capital grant        | (368,391)    | (734,080)   | -              | -           |
| Amortisation of biological assets             | 125,341      | 106,441     | -              | -           |
| Amortisation of right-of-use assets           | 1,448,373    | -           | -              | -           |
| Depreciation of property, plant and equipment | 6,454,263    | 5,420,663   | 1,306          | 605         |
| Deposits written off                          | 2,935        | 1,500       | -              | -           |

## 26. Profit/(Loss) before Taxation (Cont'd)

|  | Group       |             | Company   |           |
|--|-------------|-------------|-----------|-----------|
|  | 2019        | 2018        | 2019      | 2018      |
|  | RM          | RM          | RM        | RM        |
| Non-executive Directors' remuneration:             |             |             |           |           |
| - fee  | 268,180     | 261,600     | 232,180   | 225,600   |
| - salaries and other emoluments                    | 54,070      | 60,800      | 54,070    | 60,800    |
| Gain on disposals of property, plant and equipment | -           | (22,526)    | -         | -         |
| Loss on foreign exchange:                          |             |             |           |           |
| - realised   | 10,184      | 447,729     | -         | -         |
| - unrealised                                       | 15,169      | 398,117     | 41        | 61        |
| Grant income                                       | (1,707,300) | (1,402,547) | -         | -         |
| Impairment losses on financial assets:             |             |             |           |           |
| - trade receivables                                | 208,237     | 96,133      | -         | -         |
| - amount due from subsidiary companies             | -           | -           | 892,260   | -         |
| Reversals of impairment losses on financial assets |             |             |           |           |
| - trade receivables                                | (149,734)   | (35,848)    | -         | -         |
| - other receivables                                | -           | (5,202)     | -         | -         |
| Net impairment losses on financial assets          | 58,503      | 55,083      | 892,260   | -         |
| Interest income                                    | (483,846)   | (543,781)   | (258,578) | (461,185) |
| Inventories written off                            | -           | 15,455      | -         | -         |
| Property, plant and equipment written off          | 650,490     | 587,476     | -         | -         |
| Rental income                                      | (33,100)    | (39,266)    | -         | -         |
| Rental of equipment                                | 832         | 43,240      | -         | -         |
| Rental of premises                                 | 45,473      | 1,081,596   | -         | -         |
| Rental of motor vehicle                            | 7,608       | 10,060      | -         | -         |
| Waiver of amount due to trade payables             | -           | (86,261)    | -         | -         |
| Waiver of amount due to other payables             | (108,921)   | (76,168)    | -         | -         |

27. **Taxation**

|   | <b>Group</b>     |                  | <b>Company</b> |                |
|---|------------------|------------------|----------------|----------------|
|   | <b>2019</b>      | <b>2018</b>      | <b>2019</b>    | <b>2018</b>    |
|   | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| <b>Tax expenses recognised in profit or loss</b>    |                  |                  |                |                |
| <b>Malaysian statutory tax:</b>                     |                  |                  |                |                |
| - Current tax provision                             | 713,174          | 429,495          | -              | -              |
| - (Over)/Under provision in prior years             | (143,083)        | 236,606          | -              | 224,854        |
|   | <u>570,091</u>   | <u>666,101</u>   | <u>-</u>       | <u>224,854</u> |
| <b>Deferred tax:</b>                                |                  |                  |                |                |
| - Origination and reversal of temporary differences | (31,745)         | 1,447,063        | (51)           | -              |
| - Under provision in prior years                    | 1,658,411        | 976,692          | 51             | -              |
|   | <u>1,626,666</u> | <u>2,423,755</u> | <u>-</u>       | <u>-</u>       |
|   | <u>2,196,757</u> | <u>3,089,856</u> | <u>-</u>       | <u>224,854</u> |

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

Subsidiary company has been awarded an incentive with effect from 13 January 2013 by Ministry of Agriculture and Agro-Based Industry Malaysia with qualified for 100% tax exemption of statutory income for a period of 10 years under the Income Tax (Exemption) (No.3) 2011 [P.U.(A)166].

**27. Taxation (Cont'd)**

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

|   | <b>Group</b>      |                   | <b>Company</b>   |                 |
|---|-------------------|-------------------|------------------|-----------------|
|   | <b>2019</b>       | <b>2018</b>       | <b>2019</b>      | <b>2018</b>     |
|   | <b>RM</b>         | <b>RM</b>         | <b>RM</b>        | <b>RM</b>       |
| Profit/(Loss) before taxation                       | <u>10,521,115</u> | <u>14,692,593</u> | <u>6,079,658</u> | <u>(64,355)</u> |
| At Malaysian statutory tax rate of 24% (2018: 24%)  | 2,525,067         | 3,526,222         | 1,459,118        | (15,445)        |
| Expenses not deductible for tax purposes            | (754,492)         | 1,067,662         | 330,544          | 148,640         |
| Income exempted under BioNexus status               | -                 | (1,463,008)       | -                | -               |
| Income exempted under pioneer status                | (30,463)          | -                 | -                | -               |
| Income not subject to tax                           | (34,286)          | (478,286)         | (1,920,000)      | (213,840)       |
| Deferred tax assets not recognised                  | 108,515           | 204,608           | 130,338          | 80,645          |
| Tax incentives on reinvestment allowances           | (1,132,912)       | (980,640)         | -                | -               |
| (Over)/Under provision of income tax in prior years | (143,083)         | 236,606           | -                | 224,854         |
| Under provision of deferred tax in prior years      | <u>1,658,411</u>  | <u>976,692</u>    | <u>-</u>         | <u>-</u>        |
|   | <u>2,196,757</u>  | <u>3,089,856</u>  | <u>-</u>         | <u>224,854</u>  |

**28. Earnings per Share****(a) Basic earnings per share**

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

|  | <b>Group</b>       |                    |
|--|--------------------|--------------------|
|  | <b>2019</b>        | <b>2018</b>        |
|  | <b>RM</b>          | <b>RM</b>          |
| Profit attributable to owners of the parent                | <u>8,315,531</u>   | <u>11,570,610</u>  |
| Weighted average number of ordinary shares in issue:       |                    |                    |
| Issued ordinary shares at 1 January                        | 860,209,032        | 809,249,132        |
| Effect of ordinary shares issued during the financial year | -                  | 10,236,309         |
| Effect of treasury shares held                             | <u>(425,773)</u>   | <u>-</u>           |
| Weighted average number of ordinary shares at 31 December  | <u>859,783,259</u> | <u>819,485,441</u> |
| Basic earnings per ordinary shares (in sen)                | <u>0.97</u>        | <u>1.41</u>        |

**(b) Diluted earnings per share**

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

|  | <b>Group</b>       |                    |
|--|--------------------|--------------------|
|  | <b>2019</b>        | <b>2018</b>        |
|  | <b>RM</b>          | <b>RM</b>          |
| Profit attributable to owners of the parent  | <u>8,315,531</u>   | <u>11,570,610</u>  |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 859,783,259        | 819,485,441        |
| Adjustment for incremental shares from assumed conversions                                     |                    |                    |
| - Share Issuance Scheme options  | *                  | 7,808,191          |
| - Warrants   | *                  | 120,136,025        |
| Weighted average number of ordinary shares at 31 December (diluted)                            | <u>859,783,259</u> | <u>947,429,657</u> |
| Diluted earnings per ordinary shares (in sen)  | <u>0.97</u>        | <u>1.22</u>        |

**28. Earnings per Share (Cont'd)**

(b) Diluted earnings per share (Cont'd)

- \* The effect of the potential increment shares from Share Issuance Scheme options and Warrants were not taken into account in the computation of diluted earnings per share for the financial year ended 31 December 2019 as the exercise price of the Share Issuance Scheme options and Warrants are higher than the average market price of the Company's ordinary shares.

**29. Dividends**

| <b>Group and Company</b>   |             |
|--|-------------|
| <b>2019</b>  | <b>2018</b> |
| <b>RM</b>  | <b>RM</b>   |
| Interim dividends paid in respect of the financial year ended:           |             |
| - 31 December 2018 (single-tier dividend of RM0.0011 per ordinary share) |             |
| -  | 891,000     |
| -  | 891,000     |

The Board of Directors does not recommend any dividends in respect of the current financial years.

## 30. Reconciliation of Liabilities Arising from Financing Activities

|                                     | At<br>1 January<br>RM | Effect of<br>adopting<br>MFRS 16<br>RM | New lease<br>liabilities<br>RM | (Repayment)/<br>Drawdown<br>RM | Translation<br>RM | At<br>31 December<br>RM |
|-------------------------------------|-----------------------|--|--------------------------------|--------------------------------|-------------------|-------------------------|
| <b>2019</b>                         |                       |  |                                |                                |                   |                         |
| <b>Group</b>                        |                       |  |                                |                                |                   |                         |
| Finance lease liabilities (Note 18) | 573,874               | (573,874)                              | -                              | -                              | -                 | -                       |
| Lease liabilities (Note 19)         | -                     | 5,191,218                              | 2,535,046                      | (1,193,790)                    | (88)              | 6,532,386               |
| Term loan (Note 20)                 | 5,432,169             | -                                      | -                              | (595,332)                      | -                 | 4,836,837               |
| Bankers' acceptance (Note 20)       | 144,000               | -                                      | -                              | 486,000                        | -                 | 630,000                 |
| Bank overdrafts (Note 20)           | -                     | -                                      | -                              | 427                            | -                 | 427                     |
|                                     | 6,150,043             | 4,617,344                              | 2,535,046                      | (1,302,695)                    | (88)              | 11,999,650              |

## 30. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

|                                     | At<br>1 January<br>RM | Additions<br>RM  | New finance<br>lease payable<br>(Note 4)<br>RM | (Repayment)/<br>Drawdown<br>RM | Dividends<br>declared<br>RM | At<br>31 December<br>RM |
|-------------------------------------|-----------------------|------------------|--|--------------------------------|-----------------------------|-------------------------|
| <b>2018</b>                         |                       |                  |  |                                |                             |                         |
| <b>Group</b>                        |                       |                  |  |                                |                             |                         |
| Finance lease liabilities (Note 18) | 647,361               | -                | 268,900  | (342,387)                      | -                           | 573,874                 |
| Term loan (Note 20)                 | 2,942,876             | 3,000,000        | -  | (510,707)                      | -                           | 5,432,169               |
| Bankers' acceptance (Note 20)       | 197,000               | -                | -  | (53,000)                       | -                           | 144,000                 |
| Dividend payable                    | 809,250               | -                | -  | (1,700,250)                    | 891,000                     | -                       |
|                                     | <u>4,596,487</u>      | <u>3,000,000</u> | <u>268,900</u>                                 | <u>(2,606,344)</u>             | <u>891,000</u>              | <u>6,150,043</u>        |
| <b>Company</b>                      |                       |                  |  |                                |                             |                         |
| Dividend payable                    | 809,250               | -                | -  | (1,700,250)                    | 891,000                     | -                       |
|                                     | <u>809,250</u>        | <u>-</u>         | <u>-</u>                                       | <u>(1,700,250)</u>             | <u>891,000</u>              | <u>-</u>                |



**31. Staff Costs**

|                                      | <b>Group</b>     |                  | <b>Company</b> |                |
|--------------------------------------|------------------|------------------|----------------|----------------|
|                                      | <b>2019</b>      | <b>2018</b>      | <b>2019</b>    | <b>2018</b>    |
|                                      | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| Salaries, wages and other emoluments | 6,592,816        | 5,840,209        | 313,269        | 356,036        |
| Defined contribution plan            | 766,645          | 693,699          | 36,792         | 42,600         |
| Share based payment                  | -                | 1,450,000        | -              | -              |
| Other benefits                       | 196,978          | 155,367          | 48,095         | -              |
|                                      | <u>7,556,439</u> | <u>8,139,275</u> | <u>398,156</u> | <u>398,636</u> |
| Less: Capitalised into:              |                  |                  |                |                |
| - plantation expenditure (Note 4)    | (192,532)        | (63,290)         | -              | -              |
| - biological assets (Note 9)         | (53,654)         | (272,733)        | -              | -              |
|                                      | <u>7,310,253</u> | <u>7,803,252</u> | <u>398,156</u> | <u>398,636</u> |

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

|                               | <b>Group</b>   |                | <b>Company</b> |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | <b>2019</b>    | <b>2018</b>    | <b>2019</b>    | <b>2018</b>    |
|                               | <b>RM</b>      | <b>RM</b>      | <b>RM</b>      | <b>RM</b>      |
| <b>Executive Directors</b>    |                |                |                |                |
| Salaries and other emoluments | 607,033        | 618,673        | 570,007        | 467,081        |
| Defined contribution plan     | 47,256         | 56,340         | 47,256         | 43,800         |
|                               | <u>654,289</u> | <u>675,013</u> | <u>617,263</u> | <u>510,881</u> |

**32. Related Party Disclosures****(a) Identifying related parties**

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

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

**(b) Significant related party transactions**

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

|   | <b>Company</b>   |                |
|---|------------------|----------------|
|   | <b>2019</b>      | <b>2018</b>    |
|   | <b>RM</b>        | <b>RM</b>      |
| <b>Transactions with subsidiary companies</b> |                  |                |
| - Management fee received/receivable          | 642,600          | 734,988        |
| - Dividend income                             | <u>8,000,000</u> | <u>891,000</u> |

**(c) Compensation of key management personnel**

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

|                               | <b>Group</b>     |                  | <b>Company</b>   |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | <b>2019</b>      | <b>2018</b>      | <b>2019</b>      | <b>2018</b>      |
|                               | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        | <b>RM</b>        |
| Fee                           | 268,180          | 261,600          | 232,180          | 225,600          |
| Salaries and other emoluments | 1,959,174        | 1,899,264        | 918,931          | 933,917          |
| Defined contribution plan     | <u>200,036</u>   | <u>171,780</u>   | <u>84,048</u>    | <u>86,400</u>    |
|                               | <u>2,427,390</u> | <u>2,332,644</u> | <u>1,235,159</u> | <u>1,245,917</u> |

### 33. **Segment Information**

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

Trading and manufacturing    Research, development, manufacture, importer, exporters, distribution and trader of nutritional and healthcare products.

Retails pharmacy              Pharmacist, druggist and chemicals

Others                              Investment holding and provision of management

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

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

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

## 33. Segment Information (Cont'd)

|                               | Trading and<br>manufacturing<br>RM | Retail<br>Pharmacy<br>RM | Others<br>RM | Total<br>Segments<br>RM | Adjustments<br>and eliminations<br>RM | Note | Consolidated<br>RM |
|-------------------------------|------------------------------------|--------------------------|--------------|-------------------------|---------------------------------------|------|--------------------|
| <b>2019</b>                   |                                    |                          |              |                         |                                       |      |                    |
| External customers            | 36,528,931                         | 27,138,895               | -            | 63,667,826              | -                                     |      | 63,667,826         |
| Inter-segment                 | 4,603,323                          | 7,734,296                | 9,109,968    | 21,447,587              | (21,447,587)                          |      | -                  |
| Total revenue                 | 41,132,254                         | 34,873,191               | 9,109,968    | 85,115,413              | (21,447,587)                          |      | 63,667,826         |
| <b>Results</b>                |                                    |                          |              |                         |                                       |      |                    |
| Interest income               | 225,262                            | 6                        | 258,578      | 483,846                 | -                                     |      | 483,846            |
| Finance costs                 | (419,077)                          | (145,584)                | -            | (564,661)               | -                                     |      | (564,661)          |
| Depreciation and amortisation | (10,617,869)                       | (1,127,127)              | (1,306)      | (11,746,302)            | -                                     |      | (11,746,302)       |
| Other non-cash items          | (141,127)                          | (108,658)                | (892,260)    | (1,142,045)             | 892,260                               | (A)  | (249,785)          |
| Segment profit/(loss)         | 9,228,222                          | 130,068                  | 6,079,658    | 15,437,948              | (7,113,590)                           |      | 8,324,358          |
| Segment assets                | 258,488,284                        | 21,041,471               | 101,687,499  | 381,217,254             | (187,361,455)                         |      | 193,855,799        |
| Segment liabilities           | 170,628,880                        | 14,965,606               | 423,773      | 186,018,259             | (157,426,047)                         |      | 28,592,212         |

## 33. Segment Information (Cont'd)

|                               | Trading and<br>manufacturing<br>RM | Retail<br>Pharmacy<br>RM | Others<br>RM | Total<br>Segments<br>RM | Adjustments<br>and eliminations<br>RM | Note | Consolidated<br>RM |
|-------------------------------|------------------------------------|--------------------------|--------------|-------------------------|---------------------------------------|------|--------------------|
| <b>2018</b>                   |                                    |                          |              |                         |                                       |      |                    |
| External customers            | 44,097,688                         | 25,992,665               | -            | 70,090,353              | -                                     |      | 70,090,353         |
| Inter-segment                 | 3,448,635                          | 7,056,793                | 1,985,715    | 12,491,143              | (12,491,143)                          |      | -                  |
| Total revenue                 | 47,546,323                         | 33,049,458               | 1,985,715    | 82,581,496              | (12,491,143)                          |      | 70,090,353         |
| <b>Results</b>                |                                    |                          |              |                         |                                       |      |                    |
| Interest income               | 82,548                             | 48                       | 461,185      | 543,781                 | -                                     |      | 543,781            |
| Finance costs                 | (234,616)                          | (61,953)                 | -            | (296,569)               | -                                     |      | (296,569)          |
| Depreciation and amortisation | (8,817,649)                        | (275,837)                | (605)        | (9,094,091)             | -                                     |      | (9,094,091)        |
| Other non-cash items          | (294,859)                          | 156,263                  | -            | (138,596)               | -                                     | (A)  | (138,596)          |
| Segment profit/(loss)         | 11,664,368                         | 1,118,578                | (289,209)    | 12,493,737              | (891,000)                             |      | 11,602,737         |
| Segment assets                | 233,431,960                        | 16,865,258               | 94,690,897   | 344,988,115             | (166,040,456)                         |      | 178,947,659        |
| Segment liabilities           | 146,242,536                        | 10,889,392               | 253,562      | 157,385,490             | (135,755,300)                         |      | 21,630,190         |

**33. Segment Information (Cont'd)**Adjustments and eliminations

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

Inter-segment revenues are eliminated on consolidation.

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

|   | <b>Group</b>     |                  |
|---|------------------|------------------|
|   | <b>2019</b>      | <b>2018</b>      |
|   | <b>RM</b>        | <b>RM</b>        |
| <b>Other non-cash items:</b>                        |                  |                  |
| Amortisation of deferred capital grant              | 368,391          | 734,080          |
| Deposits written off                                | (2,935)          | (1,500)          |
| Impairment losses on trade receivables              | (208,237)        | (96,133)         |
| Impairment losses on other receivables              | -                | -                |
| Inventories written off                             | -                | (15,455)         |
| Reversals of impairment losses on trade receivables | 149,734          | 35,848           |
| Reversals of impairment losses on other receivables | -                | 5,202            |
| Gain on disposal of property, plant and equipment   | -                | 22,526           |
| Property, plant and equipment written off           | (650,490)        | (587,476)        |
| Unrealised loss on foreign exchange                 | (15,169)         | (398,117)        |
| Waiver of amount on trade payables                  | -                | 86,261           |
| Waiver of amount on other payables                  | 108,921          | 76,168           |
|   | <u>(249,785)</u> | <u>(138,596)</u> |

Geographic information

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

|           | <b>Group</b>      |                   |
|-----------|-------------------|-------------------|
|           | <b>2019</b>       | <b>2018</b>       |
|           | <b>RM</b>         | <b>RM</b>         |
| Malaysia  | 35,280,822        | 44,893,989        |
| Indonesia | 16,464,248        | 13,546,290        |
| China     | 11,922,756        | 11,650,074        |
|           | <u>63,667,826</u> | <u>70,090,353</u> |

**34. Financial Instruments****(a) Classification of financial instruments**

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

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

|   | <b>2019</b>       | <b>2018</b>       |
|---|-------------------|-------------------|
|   | <b>RM</b>         | <b>RM</b>         |
| <b>Group</b>                                |                   |                   |
| <b>At Amortised Cost</b>                    |                   |                   |
| <b>Financial Assets</b>                     |                   |                   |
| Trade receivables                           | 44,629,915        | 39,531,732        |
| Other receivables                           | 8,555,426         | 12,903,465        |
| Fixed deposits with licensed banks          | 9,681,898         | 18,590,714        |
| Cash and bank balances                      | 2,853,133         | 4,525,994         |
|   | <u>65,720,372</u> | <u>75,551,905</u> |
| <b>Financial Liabilities</b>                |                   |                   |
| Trade payables                              | 4,217,507         | 5,031,071         |
| Other payables                              | 2,600,013         | 2,269,876         |
| Finance lease liabilities                   | -                 | 573,874           |
| Lease liabilities                           | 610,886           | -                 |
| Borrowings                                  | 5,467,264         | 5,576,169         |
|   | <u>12,895,670</u> | <u>13,450,990</u> |
| <b>At Fair Value Through Profit or Loss</b> |                   |                   |
| <b>Financial Asset</b>                      |                   |                   |
| Other investments                           | <u>11,378</u>     | <u>11,001</u>     |

**34. Financial Instruments (Cont'd)****(a) Classification of financial instruments (Cont'd)**

|                                      | <b>2019</b>       | <b>2018</b>       |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>RM</b>         | <b>RM</b>         |
| <b>Company</b>                       |                   |                   |
| <b>At Amortised Cost</b>             |                   |                   |
| <b>Financial Assets</b>              |                   |                   |
| Other receivables                    | 55,242            | 105,991           |
| Amount due from subsidiary companies | 83,284,061        | 72,520,699        |
| Fixed deposits with licensed banks   | 3,500,000         | 8,200,000         |
| Cash and bank balances               | 25,192            | 21,385            |
|                                      | <u>86,864,495</u> | <u>80,848,075</u> |
| <br><b>Financial Liabilities</b>     |                   |                   |
| Other payables                       | 423,773           | 248,762           |
| Amount due to subsidiary companies   | -                 | 4,800             |
|                                      | <u>423,773</u>    | <u>253,562</u>    |

**(b) Financial risk management**

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

**(i) Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Group's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to prior periods.



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

(b) **Financial risk management (Cont'd)**

(i) **Credit risk (Cont'd)**

**Trade receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis via the Group's management reporting procedures and action will be taken for long overdue debts. Majority of the trade receivables are from trading activities.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statements of financial position.

*Concentration of credit risk*

As at the end of the financial year, the Company has 4 (2018: 2) major customers and accounted for approximately 56% (2018: 28%) of the trade receivables outstanding.

34. **Financial Instruments (Cont'd)**(b) **Financial risk management (Cont'd)**(i) **Credit risk (Cont'd)****Trade receivables (Cont'd)***Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit terms. The Group's debt recovery process is that when invoices exceeded the credit terms, the Group will start to initiate a structured debt recovery process which is monitored by sales team.

The Group uses an allowance matrix to measure ECLs for trade receivables. Consistent with the debt recovery process, invoices which are more than credit terms may be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years. Nevertheless, the Group believes that the forward-looking factors are immaterial for the purpose of impairment calculation for the financial year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting period of the Group.

|                               | <b>Gross<br/>trade<br/>receivables<br/>RM</b> | <b>Allowance<br/>for<br/>impairment<br/>RM</b> | <b>Net<br/>balance<br/>RM</b> |
|-------------------------------|---|--|-------------------------------|
| <b>Group</b>                  |   |  |                               |
| <b>2019</b>                   |   |  |                               |
| Current                       | 17,591,843                                    | (44,925)                                       | 17,546,918                    |
| <i>Past due not impaired:</i> |   |  |                               |
| Less than 30 days             | 6,734,751                                     | (47,149)                                       | 6,687,602                     |
| 31 to 60 days                 | 733,285                                       | (3,925)  | 729,360                       |
| 61 to 90 days                 | 1,696,913                                     | (94)   | 1,696,819                     |
| More than 90 days             | 18,096,183                                    | (126,967)                                      | 17,969,216                    |
|                               | <u>44,852,975</u>                             | <u>(223,060)</u>                               | <u>44,629,915</u>             |
| <b>Credit impaired:</b>       |   |  |                               |
| More than 90 days             |   |  |                               |
| - Individual impaired         | 459,902                                       | (459,902)                                      | -                             |
|                               | <u>45,312,877</u>                             | <u>(682,962)</u>                               | <u>44,629,915</u>             |

34. **Financial Instruments (Cont'd)**(b) **Financial risk management (Cont'd)**(i) **Credit risk (Cont'd)****Trade receivables (Cont'd)***Recognition and measurement of impairment loss (Cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting period of the Group. (Cont'd)

|                               | <b>Gross<br/>trade<br/>receivables<br/>RM</b> | <b>Allowance<br/>for<br/>impairment<br/>RM</b> | <b>Net<br/>balance<br/>RM</b> |
|-------------------------------|---|--|-------------------------------|
| <b>Group</b>                  |   |  |                               |
| <b>2018</b>                   |   |  |                               |
| Current                       | 17,331,085                                    | (4,897)  | 17,326,188                    |
| <i>Past due not impaired:</i> |   |  |                               |
| Less than 30 days             | 6,097,262                                     | (7,319)  | 6,089,943                     |
| 31 to 60 days                 | 435,129                                       | (550)  | 434,579                       |
| 61 to 90 days                 | 1,622,794                                     | (914)  | 1,621,880                     |
| More than 90 days             | 14,211,241                                    | (152,099)                                      | 14,059,142                    |
|                               | <u>39,697,511</u>                             | <u>(165,779)</u>                               | <u>39,531,732</u>             |
| <b>Credit impaired:</b>       |   |  |                               |
| More than 90 days             |   |  |                               |
| - Individual impaired         | 458,680                                       | (458,680)                                      | -                             |
|                               | <u>40,156,191</u>                             | <u>(624,459)</u>                               | <u>39,531,732</u>             |

The movement in the allowance for impairment losses in respect of trade receivables of the Group during the financial year are as follows:

|                            | <b>Lifetime<br/>ECL<br/>RM</b> | <b>Credit<br/>impaired<br/>RM</b> | <b>Total<br/>RM</b> |
|----------------------------|--------------------------------|-----------------------------------|---------------------|
| <b>Group</b>               |                                |                                   |                     |
| <b>2019</b>                |                                |                                   |                     |
| At 1 January 2019          | 165,779                        | 458,680                           | 624,459             |
| Impairment loss recognised | 187,587                        | 20,650                            | 208,237             |
| Impairment loss reversed   | (130,306)                      | (19,428)                          | (149,734)           |
| At 31 December 2019        | <u>223,060</u>                 | <u>459,902</u>                    | <u>682,962</u>      |

**34. Financial Instruments (Cont'd)****(b) Financial risk management (Cont'd)****(i) Credit risk (Cont'd)****Trade receivables (Cont'd)***Recognition and measurement of impairment loss (Cont'd)*

The movement in the allowance for impairment losses in respect of trade receivables of the Group during the financial year are as follows: (Cont'd)

| <b>Group</b>               | <b>Lifetime<br/>ECL<br/>RM</b> | <b>Credit<br/>impaired<br/>RM</b> | <b>Total<br/>RM</b> |
|----------------------------|--------------------------------|-----------------------------------|---------------------|
| <b>2018</b>                |                                |                                   |                     |
| At 1 January 2018          | 69,646                         | 494,528                           | 564,174             |
| Impairment loss recognised | 96,133                         | -                                 | 96,133              |
| Impairment loss reversed   | -                              | (35,848)                          | (35,848)            |
| At 31 December 2018        | <u>165,779</u>                 | <u>458,680</u>                    | <u>624,459</u>      |

**Cash and cash equivalents***Risk management objectives, policies and processes for managing the risk*

The cash and cash equivalents are held with banks and financial institutions. The Group and the Company have a credit policy in place to control credit risk by deposit with banks and financial institutions with good credit rating.

*Exposure to credit risk, credit quality and collateral*

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amount in the statements of financial position.

*Recognition and measurement of impairment loss*

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

**34. Financial Instruments (Cont'd)****(b) Financial risk management (Cont'd)****(i) Credit risk (Cont'd)****Other receivables***Risk management objectives, policies and processes for managing the risk*

Credit risks on other receivables are mainly arising from receivables from third parties and deposits paid for purchases of property, plant and equipment. The Group and the Company manage the credit risk on an ongoing basis via the Group and the Company's management reporting procedures and action will be taken for long outstanding debts.

*Exposure to credit risk, credit quality and collateral*

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

*Recognition and measurement of impairment loss*

As there are only a few debtors, the Group and the Company assessed the risk of each debtor individually based on their past trend of payments. All these customers have low risk of default because there is minimal history of default from these debtors. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for in current financial year.

The movement in the allowance for impairment losses in respect of other receivables of the Group during the financial year are as follows:

|                            | <b>Group</b> |             |
|----------------------------|--------------|-------------|
|                            | <b>2019</b>  | <b>2018</b> |
|                            | <b>RM</b>    | <b>RM</b>   |
| At 1 January               | 275          | 5,477       |
| Impairment loss recognised | -            | (5,202)     |
| At 31 December             | <u>275</u>   | <u>275</u>  |

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

**(b) Financial risk management (Cont'd)**

**(i) Credit risk (Cont'd)**

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Group and the Company provides unsecured financial guarantees to banks in respect of banking facilities granted to related companies and third parties. The Group and the Company monitors the ability of the related companies and related parties to service its loans on an individual basis.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk for the financial guarantees of the Group and of the Company as disclosed in Note 36 to the financial statements.

*Recognition and measurement of impairment loss*

There is no history of default from third parties, subsidiary company and companies in which certain Directors of the Company have substantial financial interests, and there are no indicates that any going concern from them. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

**Inter-company loans and advances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiary companies. The Company monitors the ability of the subsidiary companies to repay the loans and advances on an individual basis.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

**34. Financial Instruments (Cont'd)****(b) Financial risk management (Cont'd)****(i) Credit risk (Cont'd)****Inter-company loans and advances (Cont'd)***Recognition and measurement of impairment loss*

Generally, the Company considers loans and advances to subsidiary company has low credit risk because there is no indicators that any going concern from subsidiary companies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

The movement in the allowance for impairment losses in respect of inter-company loans and advances of the Company during the financial year are as follows:

|                            | <b>Company</b> |             |
|----------------------------|----------------|-------------|
|                            | <b>2019</b>    | <b>2018</b> |
|                            | <b>RM</b>      | <b>RM</b>   |
| At 1 January               | -              | -           |
| Impairment loss recognised | 892,260        | -           |
| At 31 December             | <u>892,260</u> | <u>-</u>    |

**(ii) Liquidity risk**

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

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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

## 34. Financial Instruments (Cont'd)

## (b) Financial risk management (Cont'd)

## (ii) Liquidity risk (Cont'd)

|   | On demand<br>or within<br>1 year<br>RM | 1 to 2<br>years<br>RM | 2 to 5<br>years<br>RM | After 5<br>years<br>RM | Total<br>contractual<br>cash flows<br>RM | Total<br>carrying<br>amount<br>RM |
|---|--|-----------------------|-----------------------|------------------------|--|-----------------------------------|
| <b>Group</b>                                |  |                       |                       |                        |  |                                   |
| <b>2019</b>                                 |  |                       |                       |                        |  |                                   |
| <u>Non-derivative financial liabilities</u> |  |                       |                       |                        |  |                                   |
| Trade payables                              | 4,217,507                              | -                     | -                     | -                      | 4,217,507                                | 4,217,507                         |
| Other payables                              | 2,600,013                              | -                     | -                     | -                      | 2,600,013                                | 2,600,013                         |
| Lease liabilities                           | 1,712,886                              | 1,387,230             | 1,372,440             | 3,808,244              | 8,280,800                                | 6,532,386                         |
| Borrowings                                  | 1,506,041                              | 875,614               | 1,778,938             | 2,816,713              | 6,977,306                                | 5,467,264                         |
| Financial guarantee                         | 500,000                                | -                     | -                     | -                      | 500,000                                  | 500,000                           |
|   | <u>10,536,447</u>                      | <u>2,262,844</u>      | <u>3,151,378</u>      | <u>6,624,957</u>       | <u>22,575,626</u>                        | <u>19,317,170</u>                 |
| <b>2018</b>                                 |  |                       |                       |                        |  |                                   |
| <u>Non-derivative financial liabilities</u> |  |                       |                       |                        |  |                                   |
| Trade payables                              | 5,031,071                              | -                     | -                     | -                      | 5,031,071                                | 5,031,071                         |
| Other payables                              | 2,269,876                              | -                     | -                     | -                      | 2,269,876                                | 2,269,876                         |
| Finance lease liabilities                   | 180,282                                | 168,178               | 278,666               | -                      | 627,126                                  | 573,874                           |
| Borrowings                                  | 1,017,454                              | 1,259,973             | 1,815,117             | 2,932,282              | 7,024,826                                | 5,576,169                         |
| Financial guarantee                         | 200,000                                | -                     | -                     | -                      | 200,000                                  | 200,000                           |
|   | <u>8,698,683</u>                       | <u>1,428,151</u>      | <u>2,093,783</u>      | <u>2,932,282</u>       | <u>15,152,899</u>                        | <u>13,650,990</u>                 |



34. **Financial Instruments (Cont'd)**(b) **Financial risk management (Cont'd)**(ii) **Liquidity risk (Cont'd)**

|                                       | <b>On demand<br/>or within<br/>1 year<br/>RM</b> | <b>Total<br/>contractual<br/>cash flows<br/>RM</b> | <b>Total<br/>carrying<br/>amount<br/>RM</b> |
|---------------------------------------|--|--|---|
| <b>Company</b>                        |  |  |   |
| <b>2019</b>                           |  |  |   |
| <u>Non-derivative financial</u>       |  |  |   |
| <u>liabilities</u>                    |  |  |   |
| Other payables                        | 423,773  | 423,773  | 423,773                                     |
| Financial guarantee                   | 3,734,620  | 3,734,620  | 3,734,620                                   |
|                                       | <u>4,158,393</u>                                 | <u>4,158,393</u>                                   | <u>4,158,393</u>                            |
| <b>2018</b>                           |  |  |   |
| <u>Non-derivative financial</u>       |  |  |   |
| <u>liabilities</u>                    |  |  |   |
| Other payables                        | 248,762  | 248,762  | 248,762                                     |
| Amount due to a subsidiary<br>company | 4,800  | 4,800  | 4,800                                       |
| Financial guarantee                   | 4,184,973  | 4,184,973  | 4,184,973                                   |
|                                       | <u>4,438,535</u>                                 | <u>4,438,535</u>                                   | <u>4,438,535</u>                            |

(iii) **Market risks**(a) **Foreign currency risk**

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are United States Dollar ("USD"), Singapore Dollar ("SGD"), Indonesia Rupiah ("IDR") and Hong Kong Dollars ("HKD").

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

34. **Financial Instruments (Cont'd)**(b) **Financial risk management (Cont'd)**(iii) **Market risks (Cont'd)**(a) **Foreign currency risk (Cont'd)**

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

| <b>Group</b>           | <b>Denominated in</b> |                   |                   |                   |
|------------------------|-----------------------|-------------------|-------------------|-------------------|
|                        | <b>USD<br/>RM</b>     | <b>SGD<br/>RM</b> | <b>IDR<br/>RM</b> | <b>HKD<br/>RM</b> |
| <b>2019</b>            |                       |                   |                   |                   |
| Trade receivables      | 36,691,406            | -                 | -                 | -                 |
| Cash and bank balances | 390,579               | 33,453            | 32,438            | 84,264            |
|                        | <u>37,081,985</u>     | <u>33,453</u>     | <u>32,438</u>     | <u>84,264</u>     |
| <b>2018</b>            |                       |                   |                   |                   |
| Trade receivables      | 30,922,602            | -                 | -                 | -                 |
| Cash and bank balances | 2,348,321             | 30,983            | -                 | -                 |
|                        | <u>33,270,923</u>     | <u>30,983</u>     | <u>-</u>          | <u>-</u>          |

Foreign currency sensitivity analysis

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

|     |                | <b>Effect on profit before tax</b> |                    |
|-----|----------------|------------------------------------|--------------------|
|     |                | <b>2019<br/>RM</b>                 | <b>2018<br/>RM</b> |
| USD | Strengthen 10% | 3,708,199                          | 3,327,092          |
|     | Weakend 10%    | <u>(3,708,199)</u>                 | <u>(3,327,092)</u> |
| SGD | Strengthen 10% | 3,345                              | 3,098              |
|     | Weakend 10%    | <u>(3,345)</u>                     | <u>(3,098)</u>     |
| IDR | Strengthen 10% | 3,244                              | -                  |
|     | Weakend 10%    | <u>(3,244)</u>                     | <u>-</u>           |
| HKD | Strengthen 10% | 8,426                              | -                  |
|     | Weakend 10%    | <u>(8,426)</u>                     | <u>-</u>           |

34. **Financial Instruments (Cont'd)**(b) **Financial risk management (Cont'd)**(iii) **Market risks (Cont'd)**(b) **Interest rate risk**

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

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

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

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

|                                    | <b>Group</b> |             | <b>Company</b> |             |
|------------------------------------|--------------|-------------|----------------|-------------|
|                                    | <b>2019</b>  | <b>2018</b> | <b>2019</b>    | <b>2018</b> |
|                                    | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| <b>Fixed rate instruments</b>      |              |             |                |             |
| <b>Financial asset:</b>            |              |             |                |             |
| Fixed deposits with licensed banks | 9,681,898    | 18,590,714  | 3,500,000      | 8,200,000   |

34. **Financial Instruments (Cont'd)**(b) **Financial risk management (Cont'd)**(iii) **Market risks (Cont'd)**(b) **Interest rate risk (Cont'd)**

|                                  | <b>Group</b>     |                  | <b>Company</b> |             |
|----------------------------------|------------------|------------------|----------------|-------------|
|                                  | <b>2019</b>      | <b>2018</b>      | <b>2019</b>    | <b>2018</b> |
|                                  | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>   |
| <b>Fixed rate instruments</b>    |                  |                  |                |             |
| <b>Financial liabilities:</b>    |                  |                  |                |             |
| Finance lease liabilities        | -                | 573,874          | -              | -           |
| Lease liabilities                | 6,532,386        | -                | -              | -           |
|                                  | <u>6,532,386</u> | <u>573,874</u>   | <u>-</u>       | <u>-</u>    |
| <b>Floating rate instruments</b> |                  |                  |                |             |
| <b>Financial liabilities:</b>    |                  |                  |                |             |
| Borrowings                       | <u>5,467,264</u> | <u>5,576,169</u> | <u>-</u>       | <u>-</u>    |

**Interest rate risk sensitivity**Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' profit before tax by RM54,672 (2018: RM55,762) respectively, arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

34. **Financial Instruments (Cont'd)**(c) **Fair value of financial instruments**

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

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

|                            | <b>Fair value of financial instruments<br/>not carried at fair value</b> |                |                | <b>Carrying<br/>amount</b> |
|----------------------------|--|----------------|----------------|----------------------------|
|                            | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> |                            |
|                            | <b>RM</b>  | <b>RM</b>      | <b>RM</b>      | <b>RM</b>                  |
| <b>Group</b>               |  |                |                |                            |
| <b>2018</b>                |  |                |                |                            |
| <b>Financial liability</b> |  |                |                |                            |
| Finance lease liabilities  | -  | 371,039        | -              | 415,906                    |
|                            | -  | 371,039        | -              | 415,906                    |

(i) **Policy on transfer between levels**

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

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

(ii) **Level 1 fair value**

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

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

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

**(iii) Level 2 fair value**

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

Non-derivative financial instruments

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

**(iv) Level 3 fair value**

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

**35. Capital Commitment**

|   | <b>Group</b>     |                  |
|---|------------------|------------------|
|   | <b>2019</b>      | <b>2018</b>      |
|   | <b>RM</b>        | <b>RM</b>        |
| <b>Authorised and contracted for</b>      |                  |                  |
| Purchase of property, plant and equipment | <u>4,500,000</u> | <u>5,499,429</u> |

### 36. Financial Guarantees

|  | <b>Group</b>     |                  |
|--|------------------|------------------|
|  | <b>2019</b>      | <b>2018</b>      |
|  | <b>RM</b>        | <b>RM</b>        |
| <b>Unsecured</b>   |                  |                  |
| Performance bonds in relation to the management of the Herbal Integrated Cluster Development                         | 500,000          | 200,000          |
|  | <u>500,000</u>   | <u>200,000</u>   |
|  | <b>Company</b>   |                  |
|  | <b>2019</b>      | <b>2018</b>      |
|  | <b>RM</b>        | <b>RM</b>        |
| <b>Unsecured</b>   |                  |                  |
| Corporate guarantees given to the licensed financial institution for credit facility granted to a subsidiary company | 3,734,620        | 4,184,973        |
|  | <u>3,734,620</u> | <u>4,184,973</u> |

### 37. Capital Management

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

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

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

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

|                                       | <b>Group</b>       |                     | <b>Company</b>     |                    |
|---------------------------------------|--------------------|---------------------|--------------------|--------------------|
|                                       | <b>2019</b>        | <b>2018</b>         | <b>2019</b>        | <b>2018</b>        |
|                                       | <b>RM</b>          | <b>RM</b>           | <b>RM</b>          | <b>RM</b>          |
| Total loans and borrowings            | 11,999,650         | 6,150,043           | -                  | -                  |
| Less: Deposit, cash and bank balances | (12,535,031)       | (23,116,708)        | (3,525,192)        | (8,221,385)        |
| Net debt                              | <u>(535,381)</u>   | <u>(16,966,665)</u> | <u>(3,525,192)</u> | <u>(8,221,385)</u> |
| Total equity                          | <u>165,546,980</u> | <u>157,620,582</u>  | <u>100,371,466</u> | <u>94,437,335</u>  |
| Gearing ratio (%)                     | <u>*</u>           | <u>*</u>            | <u>*</u>           | <u>*</u>           |

\* Gearing ratio not applicable for financial years ended 31 December 2019 and 31 December 2018 as the deposit, cash and bank balances of the Group and of the Company are sufficient to settle the outstanding debts.

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

38. **Subsequent Event***Effect of outbreak of coronavirus pandemic*

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.



**39. Date of Authorisation for Issue**

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 May 2020.

**BIOALPHA HOLDINGS BERHAD**  
**[Registration No. : 201101021398 (949536-X)]**  
**(Incorporated in Malaysia)**

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

**Registered office:**  
**Suite 10.02, Level 10**  
**The Gardens South Tower**  
**Mid Valley City**  
**Lingkaran Syed Putra**  
**59200 Kuala Lumpur**

**Principal place of business:**  
**No. 1, Jalan Perindustrian Suntrack**  
**Hub Perindustrian Suntrack**  
**Off Jalan P1A, Seksyen 13**  
**Bandar Baru Bangi**  
**43000 Kajang**  
**Selangor Darul Ehsan**

**BIOALPHA HOLDINGS BERHAD**  
(Incorporated in Malaysia)

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