BIOalpha
Health Through Biotech

BIOALPHA HOLDINGS BERHAD

STOCK CODE: BIOHLDG (0179)

An Integrated Health Supplement Company

ANNUAL REPORT 2015

CONTENTS

ABOUT **BIOALPHA**

BHB is principally involved in investment holding. Through our subsidiaries, we are able to manufacture a broad range of health supplement products in the form of powder, liquid, teabag, capsule and tablet under our proprietary house brands, as well as on an original design manufacturing ("ODM"). Our health supplement products comprise processed herbs, formulated ingredients, functional foods as well as herbal and non-herbal supplements which offer a variety of health benefits including, amongst others, general health maintenance, improving blood circulation, enhancing vitality and well-being.

ABOUT BIOALPHA
(continued)

VISION

As a regional health supplement group to improve the total well-being of people in markets that we operate in through innovation culture, and the adoption of cutting edge biotechnology and best practices in research, products and human capital development.

MISSION

To increase the breadth and depth of our integrated business model via capitalizing on emerging opportunities and being risk- sensitive.

Agriculture
To secure the quality, supply and pricing of our raw materials via ownership of herb farms and undertaking related research and development ("R&D") activities.

Shareholders
To build industry leading shareholder value through revenue diversification, cost optimisation and appropriate investment policies.

Corporate Governance
To be a responsible corporate citizen that embraces integrity, ethics and exemplary corporate governance to deliver value to our stakeholders.

Products
To continuously improve and expand the quality and range of our products for total health and wellness.

Distribution & Retail
To develop our competency in health supplements retail via strategic partnerships and investments.

To engage with customers through various channels.

People
To create a conducive and rewarding working environment by promoting teamwork, creativity, integrity and performance.

Customers
To address our customers' needs by being proactive, innovative and exceeding their expectations.

To be commercially-minded and customer-driven in the area of product development.

Certification & Accreditation
To achieve international recognition in product R&D, herb planting and production process.

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

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

To be technology-driven, innovative and cost-conscious in the development of new fermentation techniques, production and cultivation methods.

Regional Expansion
To expand our regional footprint via strategic partnerships and mergers & acquisitions.

Branding
To strengthen our brand by delivering effective and innovative products, building consumer awareness and appropriate market positioning.

COMPANY **MILESTONES**

2005

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

2007

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

2008

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

2009

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

2010

- Entered into joint-venture agreement with J-Biotech Herbal for the cultivation and farming of herbal plants in herb farm in Desaru, Johor
- Awarded with the "Recognition Award for Innovative Venture Capital backed Companies" by Malaysian Venture Capital and Private Equity Association
- Accredited with "AA rating" under the "Innovation Certification for Enterprise Rating and Transformation" by SME Corporation Malaysia

2011

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

COMPANY MILESTONES (continued)

2012

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

2013

- Penetrated into Cambodian market
- Expanded our production capacity by setting up another manufacturing facility in Bangi, Selangor
- Shifted liquid fermentation facility from Semenyih plant to Bangi plant
- Undertook R&D on isolation and fermentation of L.rhinocerus
- Awarded CRDF from MTDC to fund R&D on the extraction of polysaccharide carbohydrate from L.rhinocerus
- PNS became our substantial shareholder
- Signed a MOU with MyAngkasa Holdings Sdn Bhd for a proposed future partnership for our pharmacy retail business
- Our founder and Managing Director, William Hon, was awarded the "MBA Industry Excellence Award (Biotech)" by ASEAN Business Advisory Council Malaysia

2014

- Launched our first flagship "LifeSprings" store in Solaris Mont' Kiara, Kuala Lumpur
- Our Bangi plant was certified as GMP plant by the MOH
- Awarded BCF from MBC to enable manufacturing of semi finished C.sinesis based health supplement products utilizing spray drying and liquid filling technologies.
- Appointed as Anchor Company by ECERDC to invest, develop and manage an integrated herbal cluster land in Pasir Raja, Terengganu

2015

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

2016

- Acquisition of Constant chain pharmacy

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Abdul Rahman Bin Mamat
Independent Non-Executive Chairman

Hon Tian Kok @ William
Managing Director/ Chief Executive Officer

Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir
Executive Director

Ho Tze Hiung
Executive Director

Dato' Norhalim Bin Yunus
Non-Independent Non-Executive Director

Dato' Rosely Bin Samsuri
Non-Independent Non-Executive Director

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim
Independent Non-Executive Director

Dr. Nik Ismail Bin Nik Daud
Independent Non-Executive Director

Mohd Nasir Bin Abdullah
Independent Non-Executive Director

AUDIT COMMITTEE

Mohd Nasir Bin Abdullah (Chairman)
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

REMUNERATION COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)
Dr. Nik Ismail Bin Nik Daud
Dato' Norhalim Bin Yunus

NOMINATION COMMITTEE

Dr. Nik Ismail Bin Nik Daud (Chairman)
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

REGISTERED OFFICE

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

HEAD OFFICE

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43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia
Tel. No. : (603) 8925 1222
Fax. No. : (603) 8922 2522
Email : info@bioa.net
Website : www.bioa.net

COMPANY SECRETARIES

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

AUDITORS

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

PRINCIPAL BANKER

United Overseas Bank (Malaysia) Bhd
24-26, Jalan Dato Lee Fong Yee
P.O. Box 355
70740 Seremban
Negeri Sembilan
Malaysia
Tel. No. : (606) 762 5651
Fax. No. : (606) 763 5303

SHARE REGISTRAR

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

SPONSOR

Kenanga Investment Bank Berhad
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel. No. : (603) 2027 5555
Fax. No. : (603) 2164 6690

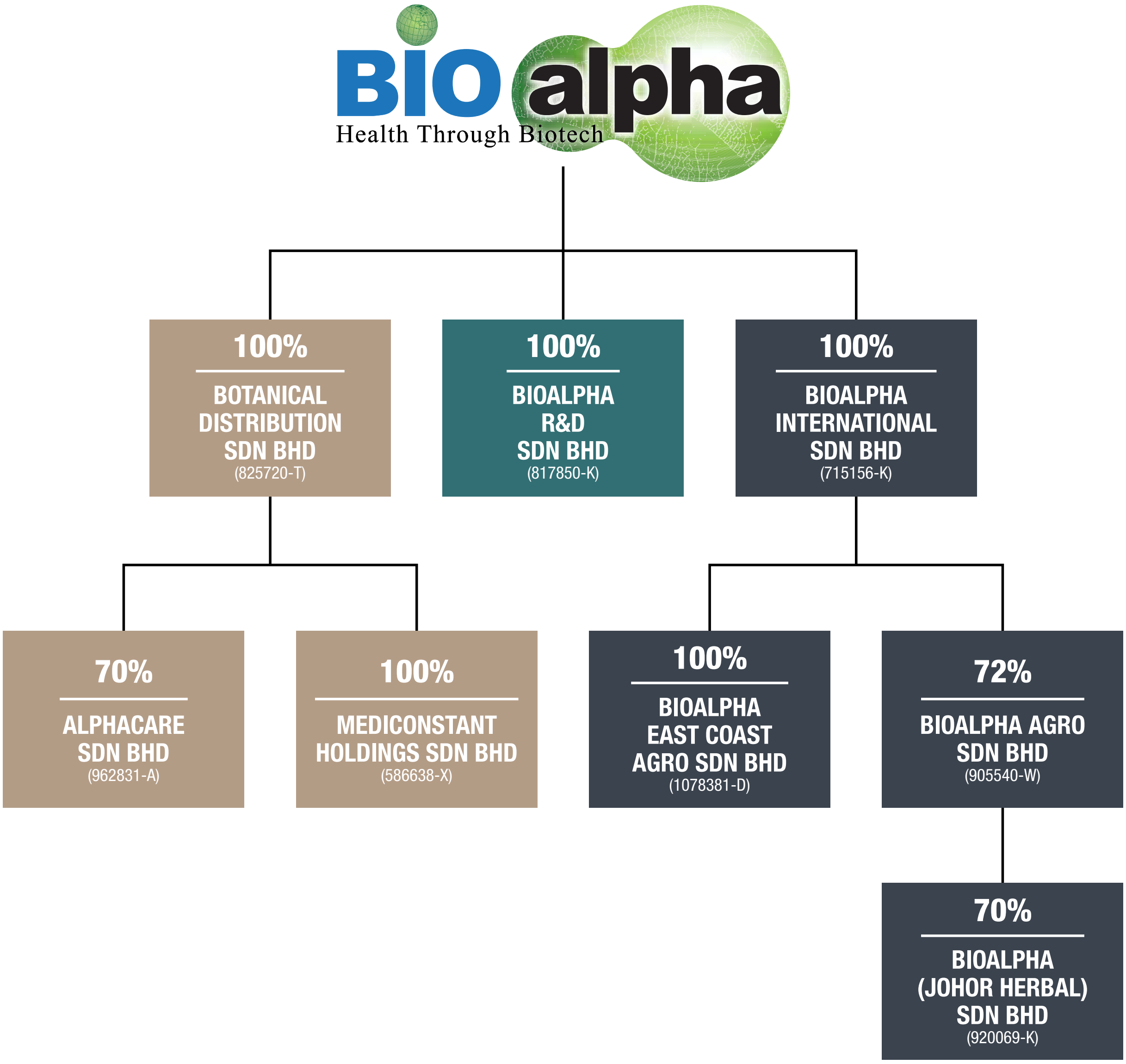
STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Name: BIOHLDG

Stock Code: 0179

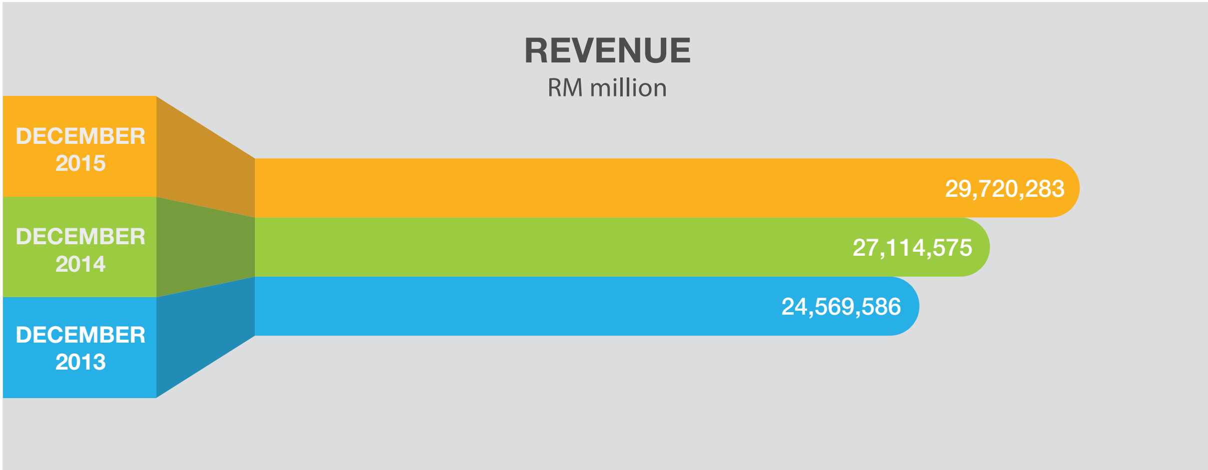
CORPORATE **STRUCTURE**

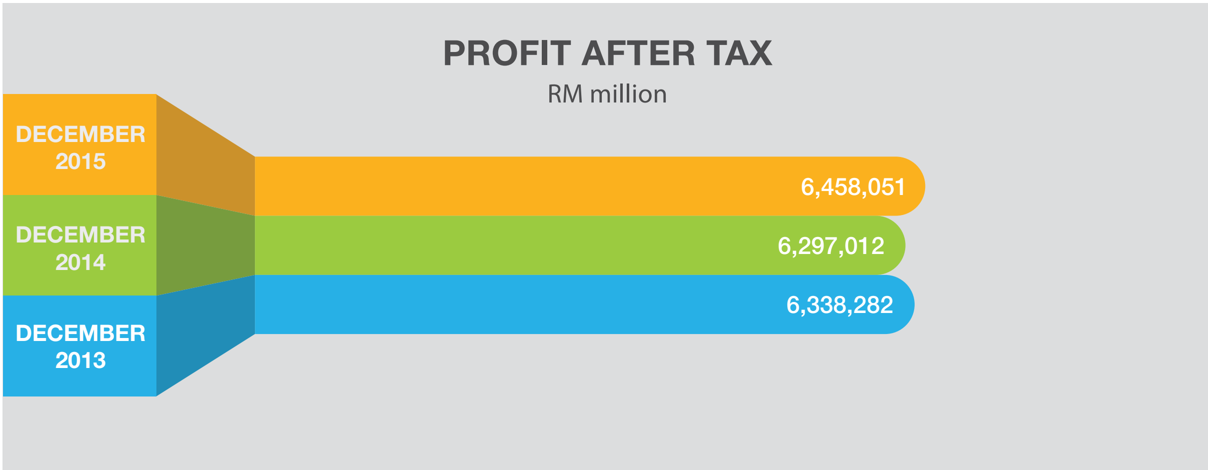


FINANCIAL **HIGHLIGHTS**

	31/12/15 RM	31/12/14 RM	31/12/13 RM
Financial Results			
Revenue	29,720,283	27,114,575	24,569,586
EBITDA	2,265,749	3,185,516	4,650,268
Profit before tax	7,302,590	6,786,189	7,539,679
Profit after tax	6,458,051	6,297,012	6,338,282
Net dividend	417,072	475,000	–
Net profit attributable to:			
Owners of the parent	6,796,465	6,432,590	6,294,259
Non-controlling interests	(338,414)	(135,578)	44,023
Financial Position			
Assets			
Property, plant and equipment and	26,902,893	24,302,859	17,369,326
Development expenditure	12,970,672	8,076,159	5,527,436
Biological assets	282,765		
Current assets	48,540,403	34,055,578	36,917,757
Total assets	88,696,733	66,434,596	59,814,519
Equity			
Share capital	23,170,656	18,170,656	18,170,656
Non-distributable reserves	19,392,775	6,587,678	6,587,678
Retained earnings	36,439,983	29,649,920	23,692,330
Total equity attributable to owners of the company	79,003,414	54,408,254	48,450,664
Non-controlling interests	(277,262)	(128,178)	7,400
Liabilities			
Deferred tax liabilities	2,645,605	1,936,735	1,553,100
Finance lease payable	249,824	288,827	566,423
Bank borrowing	691,707	2,252,713	2,477,520
Current liabilities	6,383,445	7,676,245	6,759,412
Total equity and liabilities	88,696,733	66,434,596	59,814,519
Weighted average no. of ordinary shares	**437,933,662**	**363,413,114**	**283,786,591**
Financial Indicators			
Earnings per share (sen)	**1.55**	**1.77**	**2.22**
Net dividend per share (sen)	**0.10**	**0.13**	**–**
Net assets per share (RM)	**0.18**	**0.15**	**0.17**
Return on equity (%)	**8.20**	**11.60**	**13.08**
Net earnings per share (sen)	**1.47**	–	–
Share price as at the financial year ended (RM)	**0.315**	–	–

FINANCIAL HIGHLIGHTS
(continued)





BOARD OF **DIRECTORS**

Seated (from left to right)

1. **TAN SRI DATO' DR. SYED JALALUDIN BIN SYED SALIM**
   Independent Non-Executive Director

2. **TAN SRI ABDUL RAHMAN BIN MAMAT**
   Independent Non-Executive Chairman

3. **HON TIAN KOK @ WILLIAM**
   Managing Director/ Chief Executive Officer

Standing (from left to right)

1. **HO TZE HIUNG**
   Executive Director

2. **DATO' ROSELY BIN SAMSURI**
   Non-Independent Non-Executive Director

3. **DATO' SRI HJ. SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR**
   Executive Director

4. **DATO' NORHALIM BIN YUNUS**
   Non-Independent Non-Executive Director

5. **DR. NIK ISMAIL BIN NIK DAUD**
   Independent Non-Executive Director

6. **MOHD NASIR BIN ABDULLAH**
   Independent Non-Executive Director

BOARD OF DIRECTORS
(continued)

TAN SRI ABDUL RAHMAN BIN MAMAT

64 Years
Malaysian
Independent Non-Executive Chairman

Tan Sri Abdul Rahman Bin Mamat is our Independent Non-Executive Chairman and was appointed to our Board of Directors ("Board") on 3 January 2012. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1975 and later obtained an Advanced Management Programme qualification from Harvard Business School, Boston, United States of America ("US") in 2004.

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

He currently serves on the board of several private limited companies involved in manufacturing, retail and services sectors covering global logistics, petrochemical, healthcare and oil, gas and energy. He is also an Independent Non-Executive Chairman of Hiap Teck Venture Berhad and Independent Non-Executive Director of Parkson Holdings Berhad.

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

HON TIAN KOK @ WILLIAM

40 Years
Malaysian
Managing Director / Chief Executive Officer

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

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

Mr. William Hon has an extensive background and experience in Finance, Audit, Strategic Planning, Marketing, International Business Relations and Biotechnology industry. He began his career as an Auditor with an accounting firm in 1995 and later joined commercial company as an Assistant Finance Manager in the same year. In 1998, he joined an educational and business consultancy firm, as a Consultant. He subsequently left and joined a public listed company in 2000 as Vice President of Business Development, where he was responsible for identifying and/or assessing new business opportunities for the group in the property investment and development industry as well as other new ventures such as biotechnology. In 2003, he worked as a freelance consultant with a few companies, including companies in the healthcare industry, during which he gained further knowledge of the biotechnology industry and enabled him to establish Bioalpha International Sdn. Bhd. ("BISB") in 2005.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company other than disclosed appears on page 120. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

BOARD OF DIRECTORS
(continued)

DATO' SRI HJ. SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR

54 Years
Malaysian
Executive Director

Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir is our Promoter and Executive Director. He was appointed to our Board on 12 September 2013 and is responsible for our Group's corporate and strategic planning.

Dato' Sri Hj. Syed Zainal Abidin graduated with a Bachelor of Science in Engineering from University of Maryland, US in 1985. He began his career as a Project Engineer with Petronas Gas Sdn Bhd in 1987, prior to joining Petroliam Nasional Berhad as a Senior Executive of Corporate Planning & International Business Development in 1992. He then left to join HICOM Holdings Berhad in 1995, where he assumed various positions in the Company. Dato' Sri Hj. Syed Zainal Abidin subsequently joined Perusahaan Otomobil Kedua Sdn Bhd ("Perodua") as Senior General Manager in 1999. He was later appointed Executive Director of Perodua Auto Corporation Sdn Bhd in 2002, and was promoted to Deputy Managing Director of Perodua in 2005. In 2006, he was appointed as Group Managing Director of Proton Holdings Berhad, a position he held until his departure in 2012. In 2013, he joined our Company as our Executive Director.

He also sits on the Board of RHB Bank Berhad and RHB Islamic Bank Berhad.

He has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company other than disclosed appears on page 120. He has not been convicted for any offences within the past ten years other than traffic offences, if any.

HO TZE HIUNG

39 Years
Malaysian
Executive Director

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

Mr. Ho Tze Hiung completed his Bachelor of Business, majoring in Business and Management from Oxford Brooks University in 1999 and began his career as a Marketing Executive in the same year. In 2000, he joined a seafood processing industry as a Sales Supervisor. In 2002, he joined wholesale from grocery and frozen food as an Operations Manager. He subsequently joined a multinational insurance company as a Trainer in 2003. In 2004, he joined a health supplement company as a Marketing Manager. Subsequently in 2005, he joined Bioalpha International Sdn. Bhd. ("BISB") as a Marketing Director and was promoted to Operations Director in 2012.

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

BOARD OF DIRECTORS (continued)

DATO' NORHALIM BIN YUNUS

53 Years
Malaysian
Non-Independent Non-Executive Director

Dato' Norhalim Bin Yunus is our Non-Independent Non-Executive Director and was appointed to our Board on 30 June 2011. He is a member of the Remuneration Committee of the Company. He graduated with a Bachelor of Science in Life Sciences from UKM in 1986 and is the Chief Executive Officer ("CEO") of Malaysian Technology Development Corporation ("MTDC"), a wholly-owned subsidiary of Khazanah.

Dato' Norhalim joined MTDC shortly after its formation in 1993 and was subsequently appointed as Chief Executive Officer of MTDC in 2008. During his tenure with MTDC, he was extensively involved in the Malaysian innovation ecosystem development, including the commercialisation of public sector universities' R&D results, early stage technology ventures, innovation policy development and fund management. He is one of the pioneers in the commercialisation of public universities/research institutes' R&D results in Malaysia and has played various roles relating to the overall development of the Malaysian technology commercialisation ecosystem, as a venture capital fund manager, government grant manager, incubator manager and industry expert in various public sector innovation-related committees.

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

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

DATO' ROSELY BIN SAMSURI

63 Years
Malaysian
Non-Independent Non-Executive Director

Dato' Rosely Bin Samsuri is our Non-Independent Non-Executive Director and was appointed to our Board on 20 September 2013. He is a member of the Nomination Committee and Audit Committee of the Company. He graduated with a Bachelor of Science (Finance) from Indiana State University, Indiana, US in 1983 and obtained a Master of Business Administration (International Business) from University of New Haven, Connecticut, US in 1985.

Dato' Rosely began his career as a Credit and Accounts Officer with Negara Properties Sdn Bhd in 1985 before joining Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat") as an Executive in Corporate Planning in the same year. He was promoted as Head of Corporate Planning cum Executive Assistant to Managing Director in 1994, Head of Research and Development and Head of Credit Control in 2000. He was also appointed as Finance Manager of Rakyat Corporation in 1986 and Chief Executive Officer of Angkasa Raya Development Sdn Bhd in 1997, both wholly owned subsidiaries of Bank Rakyat. In 2003, he was appointed as General Manager of Corporate Services and Secretary until his retirement in 2009. He was also a member of various Board committees and Board subsidiaries of Bank Rakyat during his tenure with the bank.

Currently, Dato' Rosely is serving on the board of Permodalan National Simpanan ("PNS"), Permodalan Felcra Sdn Bhd and acts as the Chairman of Management Investment Committee of Permodalan Felcra Sdn Bhd.

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

BOARD OF DIRECTORS
(continued)

TAN SRI DATO' DR SYED JALALUDIN BIN SYED SALIM

72 Years
Malaysian
Independent Non-Executive Director

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim is our Independent Non-Executive Director and was appointed to our Board on 8 July 2014. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee, Nomination Committee of the Company. He graduated with a Bachelor of Veterinary Science from University of Punjab in 1967, followed by a Master of Philosophy and a Doctor of Philosophy (PhD) from University of London, United Kingdom in 1969 and 1977 respectively. He was also conferred five (5) honorary degrees, namely Doctor of Science from University of Hull in 1999, Honoraris Causa from Soka University in 2000, Doctor of Agriculture Technology from Thaksin University in 2005, Doctor of Science from Open Universiti Malaysia in 2007 and Doctor of Engineering from Universiti Malaysia Perlis in 2008.

Tan Sri Dato' Dr. Syed Jalaludin began his career as an assistant lecturer in the Faculty of Agriculture in University of Malaya in 1969. He later joined Universiti Putra Malaysia ("UPM") as a lecturer in the Faculty of Veterinary Medicine and Animal Science in 1975 before retiring as Vice Chancellor of UPM in 2001. During his academic career, he was bestowed with the National Science Laureate in 1993 and National Academic Laureate in 2008. He is also a founder and senior fellow (which carries the title of academician) of the Academy of Sciences Malaysia. Tan Sri Dato' Dr. Syed Jalaludin has also been conferred Emeritus Professorship by Universiti Terengganu Malaysia and UPM. He is still active in the academic sector as Chairman of the Board of Directors of UPM, Universiti Tun Abdul Razak and Asia eUniversity. He is also the Chancellor of Taylor's University and is a member of the Executive Committee and Governing Board of the International Centre for Education in Islamic Finance (INCEIF). In addition, he is also a director of Meteor Technology Sdn Bhd, a company wholly-owned by Open University Malaysia.

In the corporate sector, Tan Sri Dato' Dr. Syed Jalaludin is the Founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by Ministry of Finance (Incorporated).

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

MOHD NASIR BIN ABDULLAH

50 Years
Malaysian
Independent Non-Executive Director

En. Mohd Nasir Bin Abdullah is our Independent Non-Executive Director and was appointed to our Board on 12 February 2015. He is also the Chairman of the Audit Committee of the Company. En. Mohd Nasir obtained his Diploma in Accountancy from Universiti Teknologi MARA in 1989 and subsequently graduated with a Bachelor of Accountancy (Hons) from the same university in 1996. He is a member of the Malaysian Institute of Accountants since 1996 and the Malaysian Association of Tax Accountants since 2012.

En. Mohd Nasir began his career with Sahir & Co, an accounting firm, as an Audit Associate in 1989 where he gained his first audit experience. He later joined Lembaga Tabung Angkatan Tentera as Finance Officer in 1992 and Arastu Sdn Bhd as Finance Manager in 1997. In 1998, he left to join Kuantan Port Consortium Sdn Bhd as a Finance Manager and later assumed the role of Internal Audit Manager in 2000. In 2005, he joined NACC Corporate Services Sdn Bhd as a Director where he was responsible for the accounting, secretarial and management services. He subsequently joined two (2) accounting firms, Wan Ali Jaafar & Associates as a Senior Associate in 2008 and AT Konsortium as an Audit Manager in 2012, to further gain his audit experience. With his accounting and audit background, En. Mohd Nasir established MN Associates, an accounting firm which provides accounting, secretarial and management services, in 2013.

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

BOARD OF DIRECTORS
(continued)

DR NIK ISMAIL BIN NIK DAUD

65 Years
Malaysian
Independent Non-Executive Director

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

He began his career as a lecturer on various subjects such as food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels at the School of Chemical Science and Food Technology in UKM in 1978. His industry experience includes holding senior positions in private companies involved in food-related businesses. He has also conducted workshops for many food companies and government agencies on food quality, safety systems, food legislations and intellectual property management in the food industry since 1983. He was appointed as Managing Director of UKM Holdings Sdn Bhd in 2006 and has since resigned from that position in 2014.

He is a member of numerous national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysian Standards on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. In addition, he was the President of the Malaysian Institute of Food Technology until 2014 and was also past President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA).

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

Dr. Nik Ismail Bin Nik Daud is our Independent Non-Executive Director and was appointed to our Board on 30 June 2011. He is also a member of the Nomination Committee, Remuneration Committee and the Chairman of our Scientific Advisory Board.

CHAIRMAN'S **STATEMENT**

Our valued shareholders,

On behalf of the Board of Directors ("Board") of Bioalpha Holdings Berhad ("Bioalpha"), it is my pleasure and privilege to present to you the Annual Report and Audited Financial Statements of Bioalpha for the financial year ended 31 December 2015.

OVERVIEW

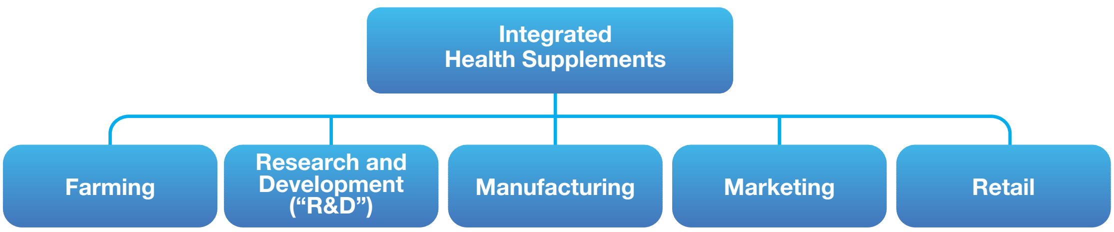
The year 2015 marked an important milestone year for our Group, in which we celebrated the successful transformation of Bioalpha to a public listed Company and completion of our listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 14 April 2015. A total gross proceeds of approximately RM20.00 million was raised from the public issue of 100,000,000 new ordinary shares, at an issue price of RM0.20 per share, enhancing the financial muscle of our Group for future expansion and growth.

BUSINESS OUTLOOK AND PROSPECTS

This is a tough year for both Malaysia and across the region given the downturn in global commodity prices, and unfavourable Ringgit exchange rate. Although the global economic growth outlook remains subdued and uncertain, nevertheless, it is anticipated that exporting will still continue to be the key driver of economic growth as now may be a good time for our business to start exporting as a way to take advantage of the weak domestic currency value.

FINANCIAL HIGHLIGHTS

During the financial year under review, our Group reported commendable financial performance with revenue of RM29.72 million, representing a growth of 9.61% or RM2.61 million as compared to revenue of RM27.11 million in the preceding financial year. The revenue growth was primarily contributed by the Group strategy in export markets, i.e. exporting herbal products to China market. Currently, the Group has been exporting its products to ASEAN countries, Taiwan and China.



ACHIEVEMENTS IN 2015

Despite the challenging market conditions, the Group remains committed to offer its corporate vision by offering an integrated health supplements to both domestic and international markets.

Farming

The Group aims to harness nature and its resources by continuing to develop and expand the agricultural resources at its disposal, which includes the herb farms in Desaru, Johor and Pasir Raja, Terengganu. The herbs are grown over the farms, measuring at 1,300 acres of land approximately. The Group has the control over the raw materials and currently produces about 20 types of herbals from its own farms.

R&D

Bioalpha has successfully implemented its own proprietary liquid fermentation technology for the fermentation of medicinal mushrooms which was developed in-house. Medicinal mushrooms typically take up to (1) year to cultivate in its original host environment (in wild form) or approximately 40 days via the solid state fermentation method. However, our R&D on proprietary liquid fermentation technology, enables us to shorten the time to just five (5) days in a controlled water-based environment and the use of specially formulated mediums. Our proprietary liquid fermentation technology is a proven effective and efficient formulation for human health.

Manufacturing

Moreover, our R&D plays an important role in the agricultural sector, i.e. improving the quality of harnessing through Good Manufacturing Practice ("GMP"). The Group's plant is certified as GMP compliance by the Ministry of Health, Malaysia, which affirms that the Group adopts the required standards in the manufacturing processes and facilities, i.e. production of health supplements. The health supplements are produced in the forms of capsules, tablets, liquid and tea-bags. On top of that, the GMP and the products are Certified Halal by the Department of Islamic Development Malaysia.

Retail

Currently, the Group has 13 pharmacy store franchises under the store brand name of "CONSTANT" in Klang Valley. The Group too, offers additional privileges to Angkasa existing eight (8) million cooperative members including franchise opportunities to the Cooperative and its members. The Group has also been working closely with MyAngkasa to secure more opportunities.

OUTLOOK FOR 2016

The Group plans to pursue strategies for rapid expansion which aims to simultaneously enhance the business activities while diversifying the income streams. According to an independent market research report by Smith Zander International Sdn. Bhd., the health supplement manufacturing industry is poised for steady growth due to a number of key demand drivers which includes an increasing rate of health awareness due to a higher occurrence of chronic illnesses, rapid urbanisation and an ageing society, which will subsequently motivate market acceptance of health supplements. Therefore, the Group would improve its marketing efforts to increase awareness on health supplements and expand the franchise businesses outside Klang Valley area.

APPRECIATION

The success we had strived in 2015 was achieved through the hard work, commitment and ever-lasting determination by our Board of Directors, Management team, R&D team and staff. I sincerely thank all of you. I would also like to express my sincere appreciation to all our other stakeholders, including our valued customers, business associates and suppliers, bankers, professional advisers, regulators and Government agencies namely, Herbal Development Office, Malaysian Technology Development Corporation, Malaysia Biotechnology Corporation, East Coast Economic Region Development Council, Johor Biotechnology Corporation, MyAngkasa, Performance Management Delivery Unit and Institute Medical Research for their unwavering support to Bioalpha. I am confident the future will provide more opportunities for us to grow the business together.

CEO STATEMENT / **MANAGEMENT REVIEW**

The year 2015 was a great year for Bioalpha Holdings Berhad ("Bioalpha") and was marked by our successful listing on the Ace Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The listing has improved the image and reputation of Bioalpha which has concurrently elevated the consumers' confidence on Bioalpha in the market. The new milestone has set our path towards a new journey in the business world and it is the beginning of a new chapter for Bioalpha. It is a great privilege to be listed in the Ace Market of Bursa Securities as we are now provided with the perfect stage to pursue new frontiers and achieve sustainable growth for Bioalpha and its subsidiaries ("the Group"), nationally and globally. Alongside our plans to enhance our current business operations, the Group has been actively looking to expand our market penetration in the retail sphere to diversify our income streams, and strengthen revenue stability through various initiatives which includes the expansion of our innovative Constant Pharmacy franchising concept.

BUSINESS OVERVIEW

Bioalpha's core business is in manufacturing and sales of health supplement products. As a health supplement company, we are involved in all levels of the value chain from the agricultural, research and development, manufacturing and retail and distribution.

The Group's business operations can currently be divided into the following:-

i) Raw herbal material cultivation and liquid fermentation

Bioalpha currently has primary herb farms located at Pasir Raja, Terengganu and Desaru, Johor. The herbs are grown over the farms, measuring at 1,300 acres of land approximately. Therefore, the Group has control over the raw materials and currently produces about 20 types of herbals i.e. Tongkat Ali, Misai Kucing, Kacip Fatimah, Hempedu Bumi, Dukung Anak and Roselle from its own farms. The Desaru farm is spread over 300 acres and was developed in collaboration with J-Biotech Herbal Sdn Bhd. The farm in Pasir Raja which spans 1,003.2 acres is being developed in collaboration with the East Coast Economic Region Development Council. Phase 1 of the project, utilising 123.5 acres of land, was completed in the year 2015 and the Phase 2 of the project, which entails the development of the remaining 879.7 acres of land is on-going.

Raw material is further processed and formulated and , sold to other health supplement manufacturers and distributors as active ingredients to be further processed and manufactured into an integrated health supplement.

Bioalpha has successfully implemented its own proprietary liquid fermentation technology for the fermentation of medicinal mushrooms which is developed in-house. Our liquid fermentation facility is located at our plant in Bangi. We have currently commercialised health supplement products from *Cordyceps sinensis* and *L. rhinocerus* for our consumers and integration from other medicinal mushroom types are on-going.

ii) Research and Development ("R&D")

R&D continues to be an integral part of Bioalpha's business in developing new formulations and techniques and to improve on the current formulations and techniques. The Group has its own laboratory facility and a R&D team, comprising registered chemist, registered pharmacist, professionally qualified food technologist and nutritionists, to facilitate our development of product formulations as well as to continuously optimise our manufacturing processes. Our R&D team develops more than 30 types of health supplements in a year.

Bioalpha was appointed by Government of Malaysia as an anchor company into the National Key Economic Area ("NKEA") Agricultural Scheme to undertake pre-clinical and clinical research studies on "High-value herbal products" as part of the Entry Point Project 1 ("EPP1"), under the ETP driven by Performance Management Delivery Unit ("PEMANDU"), which also subsidised us the cost of this project. Currently, the project is being carried out in Taiwan and India and the result is positive.

iii) Processing and Manufacturing

The Group's manufacturing activities are recognised as GMP compliance by MOH which affirms that the Group adopts the required standards in the manufacturing processes and facilities, i.e. production of health supplements. Furthermore, the products are Certified Halal by the Department of Islamic Development Malaysia ("JAKIM"). The health supplements are produced in the forms of capsules, tablets, liquid and tea-bags. Bioalpha also manufactures and delivers health supplements to our ODM customers which include local brands as well as internationally who then distribute the products through their own distribution networks. We strongly expect the sales of house brand products to improve through our retailing activities.

iv) Retail and Distribution

The health supplements under our house brands are distributed locally through our own Constant Pharmacy outlets and selected third party retail chain pharmacy. Currently, the Group has 13 pharmacy stores under the store brand name of "CONSTANT" in Klang Valley. The health supplements products are also distributed internationally on collaboration with various distribution partners, i.e. partners in Indonesia, and China. Moving forward, the Group may expand its export market to Gulf Cooperation Council ("GCC") region.

v) Human Capital

Our Group recognises the importance to equip the management and staff with the right skills and knowledge to be competent in discharging their duties well and professionally. The Group continuously provides employees with the necessary internal and external training, both in technical as well as soft skills for an overall balance human capital development.

Our Group also continuously creates job opportunities by employing talented people to be part of our family. Moreover, our Group also encourages recruitment of fresh graduates and interns to undergo practical training, aimed to equip them with invaluable skills and experience for better employment opportunities.

In promotion of a healthy and balanced lifestyle for our employees, the Group also organises annual dinner, sport activities and social events designed to create greater unity, teamwork and rapport amongst employees.

FUTURE PLANS

Bioalpha will continue to expand the retail and distribution of the products aggressively while diversifying the income streams. The health supplement which are manufactured under the house brands “Apotec” and “Nushine”, will be distributed locally through our own Constant Pharmacy outlets. We will then distribute our products to selected third party retail chain pharmacies to meet the increased demand of our products.

Bioalpha will continuously improve its marketing efforts to increase awareness on health supplements and expand the franchise businesses outside Klang Valley area. For international market, the Group will increase its exports to capture the market share in foreign market primarily in China, Asean and GCC.

Bioalpha will be working together with MyAngkasa to provide Constant products and services to all co-operatives members. Constant Pharmacy will provide privileges to co-operative business entities to list in their healthcare products to be sold through Constant Pharmacy branches. Exclusive promotion, customer loyalty programme, member discount and healthcare programs will be offered to over eight (8) million individual co-operative members by Constant Pharmacy. Currently, ConstantBioalpha is in the midst of finalising few programs, i.e. providing free Glucose Meter and Diabetes Care Services to the eligible co-operative members including promotional priced supplements to co-operative members on monthly basis.

Constant Pharmacy will provide privileges to co-operative business entities to list in their healthcare products to be sold through Constant Pharmacy branches. This will assist co-operative entrepreneurs to expand their business.

As part of our expansion and community service iniatives, with the Constant Franchise concept will help the entrepreneurs to establish their owned franchised pharmacy. Bioalpha through its partnership with Perbadanan Nasional Berhad (“PNS”), has developed a program where agreed to provide financial assistance up to RM500,000/- per entrepreneur is offered to help bumiputera entrepreneurs to establish their own franchised pharmacy.

Our products and services are also made available through online portal to an even wider audience. With the launch of our e-commerce portal, www.constant.com.my, our products will be made available in rural areas and overseas to accommodate residents who have difficulties in accessing our physical outlets.

APPRECIATION

2015 is certainly a year to be cherished. The Board would attribute this to the dedicated efforts, hard works and commitments by our management team and staff. On behalf of the Board and Bioalpha, I wish to express my utmost gratitude to our treasured management team and employees. Taking the opportunity, I would also like to express my sincere appreciation to all our other stakeholders, including our valued customers, business associates and suppliers, bankers, professional advisers and regulators for their unwavering support to Bioalpha.

CORPORATE SOCIAL **RESPONSIBILITY**

We recognise the importance of sharing responsibilities. Our CSR activities focuses on looking after our employees' development, safety and making a difference to the communities we operate in.

Lending a Helping Hand

Bioalpha contributed to the relief efforts during for the floods that affected East Coast of Malaysian in December 2014. The floods that had hit several states that has resulted in massive destructions of dwellings, schools, government buildings and private and public infrastructure. More than two hundred thousand victims were evacuated to temporary placement centers. With the destruction of more than two thousand houses, this tragedy both the victims and all Malaysians.

Bioalpha partnered with the Masjid Al Falah USJ 9 (MAF), together with various NGOs providing aid to the victims of Kg Aur Duri, Kg Pichu, Kg Dusun Nyiur.

We provided victims with emergency supplies of medicine, food and daily necessities. After almost a year living in a tent as their shelter, finally new house for all the victims has been built. These costs include home construction, furniture fittings, fire and water supplies.






CORPORATE SOCIAL RESPONSIBILITY (continued)

Training and Development

In order to achieve success and lead the way in business, we continually invest in the professional development of our employees. Thus, we engage in training (in-house and external) that meets the ever-changing needs of our organization, industry and communities at large.




Long Service Award Programme

The Long Service Awards Program celebrates and commemorates the long-term commitment and loyalty of Bioalpha employees who have achieved significant milestone years of service while also promoting long-standing careers.

The Long Service Awards Program recognizes 5 and 10 years of employment with Bioalpha. Award recipients were honoured at special events “Bioalpha Annual Dinner” held at JW Marriot Putrajaya in May 2015.

STATEMENT ON CORPORATE GOVERNANCE

The Board ascribes to high standards of Corporate Governance, which it believes is fundamental to the effective administration of our business and operations. By implementing sound corporate governance practices long term shareholder value can be enhanced alongside the core goal of protecting shareholder interests.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2012 ("MCCG") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2015 pursuant to Rule 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia")

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

The Board has full control of and is responsible for, the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls as well as investment and risk management processes. The Group's overall strategic direction, development, implementation and control remain of primary importance to the Board.

The Board is charged with leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interests of the Group. The Directors, individually and collectively, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed.

1.2 Board's Roles and Responsibilities

As per the guidelines stated in the MCCG and the Board Charter, the Board assumes the following specific functions and responsibilities:-

a) Establishing and reviewing the strategic direction of the Group;
b) Overseeing and evaluating the conduct of the Group's businesses;
c) Identifying principal risks and ensure that the risks are properly managed;
d) Establishing a succession plan;
e) Developing and implementing an investors relations programme or shareholders communication policy; and
f) Reviewing the adequacy of the Group's internal control policy and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board reserves full decision-making powers in the areas listed below:

a) Conflict of interest issues relating to a substantial shareholder or a Director;
b) Material acquisitions and disposition of assets not in the ordinary course of business of the Group;
c) Investments in capital projects;
d) Authority levels;
e) Treasury policies;
f) Risks Management policies; and
g) Key human resource issues.

STATEMENT ON CORPORATE GOVERNANCE (continued)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.3 Code of Ethics

The Board shall be guided by the Code of Ethics for Directors issued by the Companies Commission of Malaysia. The Board shall observe the Code of Ethics in the performance of their duties.

1.4 Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

1.5 Strategies Promoting Sustainability

The Board recognizes the importance of the role of environmental sustainability as a corporate citizen in its business approach, and always endeavours to adopt the most environmental friendly, ecological and cost effective production processes.

The Board also endeavours to develop Group objectives and strategies with regard to the Group's responsibilities to its shareholders, employees, customers and other stakeholders and ensuring the long term stability of the business, succession planning and sustainability of the environment. A Corporate Social Responsibility ("CSR") statement is also presented in pages 21 to 22 of this Annual Report.

1.6 Company Secretaries and Access to Information and Advice

The Company Secretaries are always on hand to provide the Directors with appropriate advice and services and also to ensure that the relevant procedures are followed and rules and regulations are complied with. The Board is, from time to time, updated on changes in the law, governance and other regulatory requirements. The Company Secretaries also provides the Board with information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively.

The agenda, Board collaterals and minutes of previous meetings of the Board and its committees including minutes of Board meetings of subsidiary companies are circulated in advance to the Board, before meetings. The agenda for every meeting permits Board members to review the contents of meetings and enable the Chairman to better and more efficiently conduct proceedings during Board meetings.

Amongst others, Board collaterals include the following:-

a) Quarterly financial report and analytical review on the Group's quarterly results;
b) Minutes of meetings of all committees of the Board;
c) A current review of the operations and future prospects of the Group;
d) Reports on Related Party Transactions and Recurrent Related Party Transactions;
e) Directors' share-dealings, including public shareholding spread;
f) Reports from Internal and External Auditors, if any; and
g) Annual Operational and capital budgets.

Senior Management and key personnel as well as professional and external advisors are from time to time invited to attend Board meetings to brief the Board and clarify issues on the subject matter that may be concerned. They are also responsible for providing the Board with the required information in an appropriate and timely manner.

2. STRENGTHEN BOARD COMPOSITION

2.1 Board Committees

The Board has delegated some of its responsibilities to various committees within the Board. The Board has established three (3) committees, namely the Audit Committee, Nomination Committee and Remuneration Committee (collectively referred to as "Committees"), the primary functions of which is to assist the Board in overseeing the affairs of the Group and these Committees have been entrusted with specific responsibilities and authority.

The authority and the functions of the Committees are properly set out in their respective Terms of Reference. The abovementioned Committees are authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on all matters ultimately lies with the Board as a whole. The Board receives regular reports on the respective Committees proceedings and deliberations. On matters reserved for the Board and where Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board's deliberation and endorsement.

Details of composition of the various Committees and a summary of the respective Committees terms of reference are as follows:

(i) Audit Committee ("AC")

The terms of the AC and its activities during the financial year are outlined under the Audit Committee Report from pages 38 to 40 of this Annual Report.

(ii) Nomination Committee ("NC")

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board vacancies within the Board as well as within the Group. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

The NC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, who are as follows:-

Dr. Nik Ismail Bin Nik Daud *(Independent Non-Executive Director) (Chairman)*
Dato' Rosely Bin Samsuri *(Non-Independent Non-Executive Director)*
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim *(Independent Non-Executive Director)*

For this purpose, the NC meets at least once a year or at such other times as the Chairman of the NC decides.

The activities of the NC during the financial year are as follows:-

1. To identify and recommend to the Board, nominee(s) to fill in Board positions, whether to be filled by Board members, shareholders or executives. The NC also considers candidates for directorships proposed by the Board and shareholders.

2. STRENGTHEN BOARD COMPOSITION (CONT'D)

2.1 Board Committees (Cont'd)

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

2. In addition to the above, the NC also evaluates and makes recommendations to the Board, pertaining to the following:

    - Directors to fill seats on committees;
    - Review of the re-appointment of Non-Executive and Executive Directors retiring by rotation pursuant to the provisions of the Board Charter of the Group and in respective compliance with the regulations of the AMLR; and
    - Review re-appointment of Non-Executive Directors at the conclusion of a specified term of office as recommended under the Board Charter;

3. To assist the Board in annually reviewing the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

4. To annually carry out the process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the Chief Executive Officer ("CEO") / Managing Director of Bioalpha and to identify areas for improvement.

5. To review Management's proposals for the appointment, dismissal, transfer and promotion of the senior-most executives in the Group.

In reviewing the performance of the Board as a whole and the contribution of the Chairman and individual Directors, performance was assessed and measured against, amongst others, the Group's strategic plan, principal duties expected of the Board, the Chairman and individual Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution. Self-assessment enables the Board to effectively and collectively identify opportunities to improve processes.

The evaluation process takes into account whether:

- Adequate time has been allocated by Non-Executive Directors on matters pertaining to the Group's operations;
- Full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
- Review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;
- Appropriate recommendations have been made to the Board for the re-election/ reappointment of Non-Executive Directors; and
- Review of the leadership needs of the Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.

2. STRENGTHEN BOARD COMPOSITION (CONT'D)

2.1 Board Committees (Cont'd)

(iii) Remuneration Committee ("RC")

The RC is responsible for developing Bioalpha's remuneration policy framework and determining the remuneration package of the Group's Directors and ensure that compensation is competitive and consistent with the Group's business strategy and long-term objectives.

The RC consists of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, who are as follows:-

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

The remuneration packages are structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors depends on their contribution to the Group in terms of their knowledge and experience. The RC recommends to the Board the policy framework of executive remuneration and its cost, and the remuneration package for each Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors.

For this purpose, the RC meets at least once a year or at such other times as the Chairman of the RC decides. The activities of the RC during the financial year are as follows:-

1. To review and recommend to the Board of Bioalpha, the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary;

2. To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors;

3. To recommend to the Board any performance related pay schemes for Executive Directors; and

4. To review Executive Directors' scope of service contracts.

2. STRENGTHEN BOARD COMPOSITION (CONT'D)

2.2 Directors' Remuneration

Details of Director's remuneration are set out below and in note 28 to the financial statements.

(a) Aggregate remuneration of Director categorized into appropriate components

	Fee RM'000	Salary & *Other Emoluments RM'000	Total RM'000
Executive Directors	221	828	1,049
Non-Executive Directors	158	18	176

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

(b) The remuneration paid to Directors during the year analyzed into bands of RM50,000, which complies with the disclosure requirements under the AMLR as follows:-

The number of Directors whose remuneration fell within the following bands is shown below:

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Up to RM60,000	–	6
RM200,000 and above	3	–

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCCG.

2.3 Supply of information

The Board members were presented with comprehensive information concerning the performance and financial status of the Company at the Board meetings. Each Director was provided with the agenda and a full set of the Board papers prior to each Board meeting with the aim of enabling the Directors to make fully informed decision at the Board meetings.

All directors have access to all information within the Group as well as the advices and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board recognises that the Company Secretary is suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary in discharge of their functions. Where necessary, the directors may engage independent professionals at the Group's expense on specialized issues to enable the directors to discharge their duties with adequate knowledge on the matters deliberated.

The proceedings and resolutions reach at each Board meeting are recorded in the minutes of the meetings, which are kept in the minutes book at the registered office. Besides Board meetings, the Board also exercises control on matters that require Boards' approval through the circulation of Director's Resolutions.

2. STRENGTHEN BOARD COMPOSITION (CONT'D)

2.4 Appointment to the Board

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board vacancies at any given time. The NC will make these recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, relevant industry related persons of note, recruiting firms and others. The NC is also responsible for the appointment, dismissal, transfer and promotion for senior-most executives in the Group.

Apart from assisting the Board in carrying out annual reviews on the mix of skills and experience, contributions and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the Managing Director/CEO of Bioalpha and identify areas for improvement and change. The Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.

2.5 Re-election of Directors and re-appointment of Directors who are over the age of 70

All Directors including the Executive Director are subject to retirement by rotation at least once in every 3 years and are eligible for re-election. In accordance with the AMLR, at least 1/3 of the Directors shall retire from office at each Annual General Meeting ("AGM"), provided always that all Directors shall retire from office once at least in each 3 years. The retiring Directors being eligible for re-election, may offer themselves for re-election. Any new Director appointed during the financial year to fill a casual vacancy or as an addition to the existing Directors shall only hold office until the next AGM of the Company and shall then be eligible for re-election as stipulated.

Pursuant to Section 129 of the Companies Act, 1965, the office of a director of or over the age of 70 years become vacant at every AGM unless he is reappointed by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and the majority by which such resolution is passed is not less than three-fourths of all members present and voting at such AGM.

2.6 Gender Diversity

The Board has not set a gender diversity targets as of the reporting period as it is of the view that Board membership should be determined based on a candidate's skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable.

The Board believes that candidature to the Board should be based on a candidate's merits but in line with the MCCG, the Board will consider integrating more females onto the Board in due course to bring about a more diverse perspective.

3. REINFORCE INDEPENDENCE

3.1 Assessment of Independent Directors Annually

The Board, through the NC, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Among the criteria considered for independency includes: ability to exercise independent comments, judgement, and contribution constructively at all times for an effective Board. The relationship between the Independent Directors with Substantial Shareholders, Executive Directors, persons related to the Executive Director/Major Shareholder, business transactions with the Group and their tenure of office will also be reviewed.

The NC had reviewed the independence of the Independent Directors for financial year ended 31 December 2015 and is satisfied with the independency demonstrated.

3.2 Tenure of Independent Directors

The Board has adopted the nine-year policy for Independent Non-Executive Directors. As recommended in the MCCG 2012, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will justify and seek shareholders' approval at the AGM in the event it retains the director as an Independent Director.

None of the current independent Board members had served the Company for more than nine (9) years as per the recommendations of the MCCG. Should the tenure of an Independent Director exceed nine (9) years, shareholders' approval will be sought at an AGM or if the services of the Director concerned are still required, the Director concerned will be re-designated as a Non-Independent Director

3.4 Roles of Independent Non-Executive Chairman, Managing Director and Executive Directors

There is a clear segregation of duties between the Chairman of the Board and the Managing Director/CEO and Executive Directors so as to ensure that there is always a balance of power and authority. Essentially, the Chairman has the obligation to preside at various meetings, namely the general meetings of shareholders, Board and AC meetings in order to address issues to be highlighted by and to members independently, whilst the Managing Director and Executive Directors have the responsibility to manage the day-to-day business operations of the Group by ensuring that strategies, policies and matters approved by the Board and other committees are implemented diligently.

There is also a balance in the Board with the presence of the Independent Non-Executive Directors of the necessary caliber and experience to carry sufficient weight in Board decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgment to take into account the interests of the Group, shareholders, employees and communities in which the Group conducts its business.

3.5 Board Balance

The Board comprises of a mix of qualified and experienced Directors with diverse experience, background and expertise. Currently, the Board consists of nine (9) members, as designated below:

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

3. REINFORCE INDEPENDENCE (CONT'D)

3.5 Board Balance (Cont'd)

The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations, as well as help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are taken into consideration by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

While the Managing Director/ CEO and the Executive Directors are responsible for representing the views of the management of the Group, senior executives may be present to further represent these interests.

The Board did not appoint a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Chairman of the Board encourages the active participation of every Board member in the decision making process.

The Company had complied with the requirement of the Rules 15.02 of the AMLR to have one third (1/3) of its members make up of Independent Non-Executive Director as well as for a director who is a member of the Malaysia Institute of Accountants to sit in the AC. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the NC and RC regularly reviews the composition of the Board and Board Committees.

A brief profile of each Director is presented in pages 10 to 15 of this Annual Report.

4. FOSTER COMMITMENT

4.1 Board Meeting and Attendance

The Board meets at least once every quarter and on other occasions, as and when necessary, inter-alia to approve quarterly financial results, Annual Report, business plans and budgets as well as to review the performance of the Group, its operating subsidiaries and other business development activities. Management and external advisors (when needed) are invited to attend the Board and Board Committee meetings and to provide their inputs and advice on relevant matters.

The Board met on five (5) occasions during the financial year ended 31 December 2015. The attendance of the Board members at these meetings is as follows:

Name of Directors	Attendance	Percentage of Attendance
Tan Sri Abdul Rahman Bin Mamat	5/5	100%
Hon Tian Kok @ William	5/5	100%
Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir	5/5	100%
Ho Tze Hiung	5/5	100%
Dato' Norhalim Bin Yunus	4/5	80%
Dato' Rosely Bin Samsuri	5/5	100%
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	4/5	80%
Dr. Nik Ismail Bin Nik Daud	5/5	100%
Mohd Nasir Bin Abdullah *(Appointed on 12/02/2015)*	4/4	100%

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

The minimum 50% attendance requirement as stipulated in the AMLR has been complied with.

4. FOSTER COMMITMENT (CONT'D)

4.2 Supply of Information for Meeting

In order for the Board to discharge its responsibilities efficiently, all quantitative and qualitative information on the Group's performance is provided for the Board's review on a regular basis. Updates on operational, financial, corporate issues and strategic matters as well as current development of the Group which require the Board members' attention are disseminated promptly. Prior to a Board meeting, agenda and comprehensive Board papers containing relevant reports and material information will be distributed to Directors timely for their perusal to enable them to participate effectively in meeting for an effective Board discussion and decision process. The Directors may seek further explanation or clarification on issues before or during the proceedings of the meeting.

4.3 Directors' Training

The Board recognises the need to attend training to enable Directors to discharge their duties effectively. Under the code, the training needs of each Director would be identified, proposed and assessed by the individual Director, Nomination Committee and the Board annually upon the completion of Director performance appraisals.

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") conducted as required by Bursa Malaysia.

Directors' training is an on-going process as Directors recognise the need to continually develop and refresh their knowledge and skills, and to update themselves on developments in the industry and business landscape both domestically and internationally.

The Directors are encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates in including seminars, briefing and advocacy sessions and training programmes which are considered as relevant and useful and would strengthen their contribution to the Group.

Stated below is the list of courses attended for the financial year ended 31 December 2015:

Name of Director	Training Programme
Tan Sri Abdul Rahman Bin Mamat	• B20 Taskforce for G20 Meeting Turkey- Member Trade Taskforce • Risk Management & Internal Control : Workshop for Audit Committee Members, Bursa Malaysia • Board Chairman Series Part 2- Leadership Excellence from the Chair • CG Breakfast Series with Directors- Bringing the Best out in Boardrooms • Directors Training- Finance for non-finance – Language in the Board Room • B20 Taskforce for G20 Meeting China – Member Trade & Investment Taskforce and SME Development Taskforce

4. FOSTER COMMITMENT (CONT'D)

4.3 Directors' Training (Cont'd)

Name of Director	Training Programme
Hon Tian Kok @ William	• Biomalaysia & Asean Bioeconomy 2015 Conference • Investment Opportunities in Bio Based Materials • FMM - Staying Fit in a Challenging Landscape, What's Available to the Manufacturing Sector • FRIM - Persidangan Industri Herba 2015 • FMM - Technology Talk & Training : Beyond SCADA and Mobility • PNS - Leadership in A Chaotic World • PNS - Program Halalan Toyibban : Franchise Landscape in Malaysia
Ho Tze Hiung	• Practical production planning strategies, Kuala Lumpur • Mosti - Bengkel strategi pembungkusan (packaging design & branding workshop), Kuala lumpur • Sirim Industry Dialogue 2015 • CGMP Facility for The Production of Biopharmaceutical, Kuala Lumpur
Dato' Norhalim Bin Yunus	• AUTM Conference 2015, New Orleans, USA. • Global R& D Leaders & CEO's Forum 2015, Kuching Sarawak. • Capital Market Symposium 2015, Kuala Lumpur. • 6th Annual Licensing Executive Society (LES) Asia Pacific Regional, Kuala Lumpur. • Khazanah Megatrend Forum 2015, Kuala Lumpur. • The Economics Events Innovation Awards & Summit 2015, Hong Kong.
Dr. Nik Ismail Bin Nik Daud	• Nurturing The EU-Asean Dialogue on Food Safety, Kuala Lumpur • Halal Seminar 2015: JAKIM with Industry • Halal Ingredients Asia 2015, Kuala Lumpur • Speaker for 6th JAKIM Certifying Bodies Convention 2015
Encik Nasir Bin Abdullah	• MIA International Accountants Conference 2015 • Practical Accounting for GST 2015

Save as disclosed above, Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir, Dato' Rosely Bin Samsuri and Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Halim were not able to attend any seminars and/or training programmes during the financial year due to overseas travelling and their busy work schedule. However, they have kept themselves abreast on financial and business matters through readings and attending overseas meetings to enable them to contribute to the Board. They are also aware of their duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the Listing Requirements on continuing education.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa Malaysia, the annual financial statements of the Group and Company as well as the Chairman's statement and Management Review of the Group's operations in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING (CONT'D)

In assisting the Board in discharging its duties with regards to financial reporting, the Board established an AC as outlined in pages 41 to 43 of the Annual Report. One of the key responsibilities of the AC in its specific terms of reference is to ensure that the financial statements of the Group comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Group. Accordingly, the AC, which assists the Board in overseeing the financial reporting process of the Group, will formalize and adopt a policy for the types of non-audit services permitted to be provided by the external auditors, including the need for the AC's approval in writing before such services can be provided by the external auditors. To address the "self-review" threat faced by the external audit firm, the procedures to be included in the policy require the engagement team conducting the non-audit services to be different from the external audit team.

In assessing the independence of external auditors, the AC requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

5.1 Compliance with Applicable Financial Reporting Standards

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Board takes the responsibility to present a balanced and meaningful assessment of the Group's position and prospects, and to ensure that the financial statements are drawn up in accordance with the provision of Companies Act, 1965 and applicable accounting standards in Malaysia. The AC assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness. The Directors' Responsibility Statement pursuant to the AMLR is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the AC has been assured that no material issues or major deficiencies have been detected which pose a high risk to the overall internal controls under review.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has maintained an appropriate and transparent relationship with the External Auditors through the AC. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. Both the External Auditors and Internal Auditors are invited to attend the AC Meetings to facilitate the exchange of view on issues requiring attention.

A full Audit Committee Report is set out in pages 41 to 43 of this Annual Report.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represent the key elements of the Group's risk management and internal control structure:

a. An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;

b. Review and approval of annual business plan and budget of all major business units by the Board. This plan sets out key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;

6. RECOGNISE AND MANAGE RISKS (CONT'D)

6.1 Sound framework to manage risks

c. Quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment;

d. Active participation and involvement by the Group Managing Director and Non-Independent Executive Directors in the day-to-day running of the major business and regular discussions with the senior management of smaller business units on operational issues; and

e. Monthly financial reporting by the subsidiaries to the holding company.

Recognising the importance of having risk management processes and practices, the Board has formalised a clear strategy to identify and manage the major or significant operational, financial and market risks associated with the Group's business which is outlined in pages 02 to 03 of this annual report.

6.2 Internal Audit ("IA") Function

The Statement on Risk Management and Internal Control as included on pages 38 to 40 of this Annual Report provides the overview of the internal control framework adopted by the Company during the financial year ended 31 December 2015.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board will formalize pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the AMLR, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Group's website, where information on the Group's announcements to the regulators, the Board Manual, rights of shareholders and the Group's Annual Report may be accessed.

Sufficient information would be provided to the Company Secretaries for drafting of necessary announcements. The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website incorporates an Investor Relations section which provides all relevant information on the Company and is accessible by the public. This Investor Relation section enhances the Investor Relations function by including all announcements made by the Company. The announcements of the quarterly financial results is also made via Bursa Link immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meeting

The AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Bioalpha's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general.

The Notice of AGM is circulated to shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. All the resolutions set put in the Notice of the AGM are put to vote by a show of hands. The outcome of the AGM is then announced to Bursa on the same meeting day.

8.2 Encourage Poll Voting

On poll voting, the Board is of the opinion that with the current level of shareholders' attendance at general meetings, voting by way of a show of hands continues to be efficient. During the general meetings, the Chairman of the meeting shall remind all members present about their right to demand for a poll in accordance with the provisions of the Articles of Association of the Company in the voting on any resolutions. Currently, all resolutions put forth for the shareholders' approval are carried out by a show of hands, unless a poll is demanded or specifically required.

8.3 Investor Relations and Shareholder engagement

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors and to disseminate the Group's performance and any significant developments to ensure that they are informed of all material business matters timely manner.

Different channels of communication are optimised to ensure that clear, relevant and effective communication is facilitated. Presently, the Board and management of Bioalpha communicate regularly with its shareholders and stakeholders through the following mediums:

1. **Bursa Malaysia Securities Berhad Announcements**

   The Board ensures timely announcements of financial results on a quarterly basis as well as significant corporate developments are made to Bursa Malaysia.

2. **Official Bioalpha Website**

   The Group has a website (www.bioa.com.my) which provides information on Bioalpha for all shareholders and the general public.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement, and considers that the Statement provides the information necessary to enables shareholders to evaluate how the Code has been applied. The Board considers and is satisfied that the Group has fulfilled its obligation under the MCCG, the AMLR and all applicable laws and regulations throughout the financial year ended 31 December 2015.

This Statement is made in accordance with a resolution of the Board of Directors dated 25 April 2016.

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

The Directors are required to lay before the Group at its AGM, the annual audited financial statements, which includes the consolidated statement of financial position and the consolidated statement of comprehensive income of the Bioalpha and the Group for each financial year made out in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965. This is also in line with AMLR.

The Directors are required to take reasonable steps in ensuring that the annual audited financial statements give a true and fair view of the state of affairs of Bioalpha and the Group as at the completion of the financial year ended 31 December 2015.

During the preparation of financial statements, the Directors have considered the following:-

- Appropriate accounting policies have been used and are consistently applied;
- Reasonable and prudent judgments and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed.

The Directors are required under the Companies Act, 1965 to ensure that Bioalpha keeps accounting records which disclose with reasonable accuracy the financial position of the Group and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

A. INTRODUCTION

The Board of Directors ("Board") of Bioalpha Holdings Berhad ("Bioalpha" or the "Group") is pleased to make the following statement which outlines the key elements of the internal control system within the Group. The Risk Management and Internal Control Statement is made in compliance with Rule 15.26(b) of Ace Market Listing Requirements ("AMLR") and Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Internal Control Guideline").

B. BOARD RESPONSIBILITY

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

C. RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. The Board is thus committed to continually promote the culture of risk awareness and builds the necessary knowledge in identifying, evaluating, mitigating, monitoring and managing the significant risks on an on-going basis. In discharging its responsibilities, the Board has taken into account the guidance of the Malaysian Code On Corporate Governance 2012 ("MCGG 2012").

The key risk management initiatives undertaken include among others:

(i) The responsibilities of the Board and the Management are clearly defined in the organisational structure to ensure the effective discharge of the roles and responsibilities of the parties in overseeing the conduct of the Group's business;

(ii) Formation of operational policies and procedures by the Management with a view of establishing group wide operational standards in order for all operating units to work cohesively towards achieving the business objectives of the Group. For accounting systems and financial processes, efforts are being taken to ensure consistency in the Group as a whole;

(iii) Frequent on-site visits to the operating units by senior management so as to acquire a first-hand view on various operational matters and addressing the issues accordingly;

(iv) The Board gathers and reviews key financial and operating statistics on a monthly basis and constantly keep track and monitor the achievement of the Group's performance;

(v) Regular visit by internal auditors which provide independent assurance on the effectiveness of the Group's system of internal control and advising the Management on the areas for further improvement;

(vi) The Audit Committee ("AC") reviews on a quarterly basis the quarterly unaudited financial results to monitor the Group's progress towards achieving the Group's business objectives. Authority is given to the AC members to investigate and report on any areas of improvement for the betterment of the Group; and

(vii) Regular interactive meetings between the external and internal auditors to identify and rectify any weakness in the system of internal controls. The Board on a timely basis would be informed of any matters brought up in the AC meetings.

D. SYSTEM OF INTERNAL CONTROLS

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. The size and complexity of the operations may give rise to risks of unanticipated or unavoidable losses.

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

The system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. AC reviews the effectiveness of the system of internal controls, which covers financial, operational and compliance controls, and also risk management.

The total cost incurred by the IA function is at RM10,000 for the financial year ended 31 December 2015.

E. ACCOUNTABILITY & AUDIT

The Board endeavours to present a balance and clear assessment of the Group's financial position and prospects through unaudited quarterly financial reporting via the Bursa Malaysia Securities Berhad, annual audited financial statements, the Chairman Statement and Management Review in the annual reports.

The AC reviews the quarterly financial statements and the annual financial statements before they are submitted to the Board for approval. A statement of the Directors' responsibilities for preparing the financial statements is set out on page 37 of this annual report.

F. OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

a) Management Structure

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

b) Strategic Business Plan and Annual Budget

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

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

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

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

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

c) Reporting and Review (Cont'd)

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

d) Quality Compliance

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

e) Internal Policies and Procedures

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

f) Related Party Transactions

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

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

The Board has received assurance from the Managing Director/Chief Executive Officer and Financial Controller of the Company that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

H. REVIEW OF THIS STATEMENT

Pursuant to Rule 15.23 of the AMLR, the External Auditors have reviewed this Risk Management and Internal Control Statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2015 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

I. BOARD CONCLUSIONS

The Board is satisfied that, during the year under review, the existing system of internal controls and risk management is sound and adequate to safeguard the Group's assets at the existing level of operations of the Group. The Board recognizes that the development of internal control system is an ongoing process. Therefore, in striving for continuous improvement, the Board will continue to take appropriate action plans to further enhance the Group's system of internal control.

This statement is made in accordance with the resolution of the Board dated 25 April 2016.

AUDIT COMMITTEE REPORT

COMPOSITION

The AC was established with the primary objective of assisting the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes, and management and financial reporting practices of the Group.

In compliance with AMLR, the AC comprises three (3) directors, whom are Non-Executive Directors.

Chairman
Mohd Nasir Bin Abdullah (Independent Non-Executive Director)

Members
Dato' Rosely Bin Samsuri (Non-Independent Non-Executive Director)
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Independent Non-Executive Director)

DETAILS OF ATTENDANCE

Members	Attendance
Mohd Nasir Bin Abdullah	3/3
Dato' Rosely Bin Samsuri	5/5
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	3/5

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

In accordance with its Terms of Reference, the AC undertook the following activities:

a) Assisted the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group in accordance with financial reporting standard in Malaysia;

b) Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed upon reporting timeframes for the audit of the financial statements;

c) Reviewed the external audit reports and discussed any problems and reservations arising thereon;

d) Reviewed the internal audit plan, methodology, functions and resources;

e) Reviewed major findings on internal audit reports and management response; and

f) Reviewed the related party transactions entered into by the Group with related parties.

AUDIT COMMITTEE REPORT (continued)

SUMMARY OF ACTIVITIES

During the financial year under review, the AC had held five (5) meetings and the following activities were undertaken:-

(i) Reviewed the quarterly unaudited financial results announcement of the Group and the annual audited financial statements prior to the Board of Directors' approval and subsequence announcements therefrom;

(ii) Reviewed and discussed to satisfy itself that related parties' transactions represent arms length transactions that were entered into in the normal course of business and not detrimental to the minority shareholders' interest;

(iii) Reviewed with the external auditors on their scope of work and audit plan for the year;

(iv) Reviewed the Group's compliance with the relevant financial reporting standards and other relevant legal and regulatory requirements;

(v) Considered and recommended the trainings for Board;

(vi) Reviewed the enterprise risk management framework and the effectiveness of the system of internal control of the Group;

(vii) Reviewed the audit fees payable to external auditor;

(viii) Made recommendations to the Board on the re-appointment of the External Auditors; and

(ix) Reviewed and recommended to the Board on the re-appointment of Internal Auditors.

FUNCTIONS

The AC functions are to review, evaluate and report to the Board on these following matters:

1. Consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;

2. Discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination if more than one audit firm is involved;

3. Review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on :-

    - any changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements

4. Discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of Management where necessary), and to review the external auditors' management letter and Management's response;

AUDIT COMMITTEE REPORT (continued)

FUNCTIONS (CONT'D)

5. Ensure that the Internal Audit ("IA") function is effectively carried out by relevant parties by ensuring:-

    - The adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work; and

    - The internal audit programme and its processes are carried to completion, and the subsequent results or investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal audit functions.

    6. Review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group; and

7. Consider any related party transactions that may arise within the Group.

    Without limiting the generality of the above functions, the AC may consider such other matters as directed or defined by the Board, from time to time

MEETINGS, QUORUM AND PROCEDURES

1. The AC meets on a quarterly basis to carry out its functions although additional meetings may be called at any time as and when necessary.

2. The quorum consists of a majority of Independent Non-Executive Directors and shall not be less than two (2).

3. The AC may invite such other senior management of the Company, including but not limited to the CEO / Managing Director, the Financial Controller and relevant component members of the IA function to attend the meeting, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the meeting to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the AC on significant audit and accounting areas which they noted in the course of their audit.

4. The AC shall meet with the external auditors, a minimum of four (4) times during the year under review and without the presence of the Management of the Company and or the Group.

5. The AC shall decide on its own administrative procedures to effectively discharge its responsibilities.

REPORTS/MINUTES

Minutes of each meeting are kept by the Company Secretary as evidence that the AC has discharged its functions.

The Chairman of the AC reports to the Board after each meeting. The approved minutes of AC meetings are forwarded to Board members for their information and accordingly significant issues may be further discussed at Board meetings.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in accordance with the AMLR of Bursa Securities:

1. UTILISATION OF PROCEEDS

(i) On 12 February 2016, our Company completed the private placement of 17,718,962 new ordinary shares of RM0.05 each in our Company ("Placement Shares") representing 3.67% of our Company's issued and paid-up share capital on the same date, at RM0.33 per Placement Share ("Private Placement").

The status of utilisation of the resulting proceeds of approximately RM5.85 million as at 31 March 2016 is as follows:-

Utilisation purposes	Amount raised RM'000	Amount utilised as at 31 March 2016 RM'000	Balance unutilised RM'000
Working capital	5,397	1,835	3,562
Expenses in relation to the Private Placement	450	450	–
Total	5,847	2,285	3,562

2. DEPOSITORY RECEIPT PROGRAMME

During the financial year, the Company did not sponsor any Depository Receipt Programme.

3. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

4. NON-AUDIT FEES

The non-audit fees paid by our Group to the external auditors, Messrs UHY, during the financial year were RM90,000 in relation to their role as Reporting Accountants for our listing on the ACE Market of Bursa Malaysia Securities Berhad.

5. VARIATION IN RESULTS

There was no variance of 10% or more from the announced unaudited financial results and the audited financial results of the Group for the financial year ended 31 December 2015.

6. PROFIT GUARANTEES

During the financial year, there were no profit guarantees given by the Group.

ADDITIONAL COMPLIANCE INFORMATION (continued)

7. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

8. CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

9. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no issuances of options, warrants or convertible securities during the financial year.

10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no material Recurrent Related Party Transactions of a revenue or trading nature during the financial year.

FINANCIAL STATEMENTS

for the year ended 31 December 2015

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 2015.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial year	6,458,051	(1,787,349)
Attributable to:		
Owners of the parent	6,796,465	(1,787,349)
Non-controlling interests	(338,414)	–
	6,458,051	(1,787,349)

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.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIVIDENDS

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

	RM
An interim single-tier tax exempt dividend of RM0.0009 per ordinary shares in respect of the financial year ended 31 December 2015 on 8 January 2016	417,072

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from 363,413,114 to 463,413,114 through the creation of 100,000,000 new ordinary shares of RM0.05 at RM0.20 for a total cash consideration of RM20,000,000 for public issue and listing.

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

There was no issuance of debentures during the financial year.

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	No. of ordinary shares of RM0.05 each			
	At 1.1.2015	**Addition**	**Disposal**	**At 31.12.2015**
Interest in the Company:				
Direct interests				
Hon Tian Kok @ William	122,103,560	21,555,157	60,830,000	82,828,717
Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir	3,643,037	–	1,212,268	2,430,769

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

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

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of Directors:

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

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

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

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Notes 35 and 36 respectively.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2016.

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

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 54 to 118 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year ended.

The supplementary information set out in Note 38 to the financial statements on page 119 have been compiled in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2016.

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

KUALA LUMPUR

STATUTORY DECLARATION

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

I, **HON TIAN KOK @ WILLIAM**, being the Director primarily responsible for the financial management of **Bioalpha Holdings Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 54 to 119 are correct and 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 25 April 2016)

HON TIAN KOK @ WILLIAM

Before me,

No. W521
MOHAN A.S. MANIAM
COMMISSIONER OF OATHS

INDEPENDENT AUDITORS' REPORT
to the members of
Bioalpha Holdings Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 118.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 119 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

UHY
Firm Number: AF 1411
Chartered Accountants

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

KUALA LUMPUR

25 April 2016

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2015

		Group		Company	
	Note	**2015 RM**	**2014 RM**	**2015 RM**	**2014 RM**
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	26,902,893	24,302,859	839	944
Investment in subsidiary companies	5	–	–	12,719,130	12,719,130
Development expenditures	6	12,970,672	8,076,159	–	–
		39,873,565	32,379,018	12,719,969	12,720,074
Current Assets					
Biological assets	7	282,765	–	–	–
Inventories	8	4,664,363	4,061,491	–	–
Trade receivables	9	19,249,631	12,829,703	–	–
Other receivables	10	10,716,833	7,274,313	26,178	684,853
Amount owing by subsidiary companies	11	–	–	27,943,493	16,989,009
Tax recoverable		140,592	68,026	–	–
Fixed deposits with licensed banks	12	7,965,440	1,115,786	5,000,000	–
Cash and bank balances		5,803,544	8,706,259	14,785	6,437
		48,823,168	34,055,578	32,984,456	17,680,299
Total Assets		88,696,733	66,434,596	45,704,425	30,400,373

STATEMENTS OF FINANCIAL POSITION (continued)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
EQUITY					
Share capital	13	23,170,656	18,170,656	23,170,656	18,170,656
Share premium	14	24,361,905	11,556,808	24,361,905	11,556,808
Merger deficits	15	(4,969,130)	(4,969,130)	–	–
Retained earnings/ (Accumulated losses)		36,439,983	29,649,920	(2,292,385)	(87,964)
Equity attributable to owners of the parent		79,003,414	54,408,254	45,240,176	29,639,500
Non-controlling interests		(277,262)	(128,178)	–	–
Total Equity		78,726,152	54,280,076	45,240,176	29,639,500
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	16	249,824	288,827	–	–
Bank borrowings	17	691,707	2,252,713	–	–
Deferred tax liabilities	18	2,645,605	1,936,735	–	–
		3,587,136	4,478,275	–	–
Current Liabilities					
Trade payables	19	178,159	392,340	–	–
Other payables	20	5,134,136	5,762,414	448,972	749,486
Amount owing to a Director	21	22,049	22,119	1,049	1,049
Finance lease liabilities	16	144,126	274,122	–	–
Bank borrowings	17	846,428	1,209,937	–	–
Tax payables		58,547	15,313	14,228	10,338
		6,383,445	7,676,245	464,249	760,873
Total Liabilities		9,970,581	12,154,520	464,249	760,873
Total Equity and Liabilities		88,696,733	66,434,596	45,704,425	30,400,373

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

		Group		Company	
		2015	**2014**	**2015**	**2014**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	22	29,720,283	27,114,575	648,000	360,000
Cost of sales		(13,654,280)	(13,908,881)	–	–
Gross profit		16,066,003	13,205,694	648,000	360,000
Other income		3,648,487	4,592,604	567,483	606,353
Administration expenses		(12,105,227)	(10,776,346)	(2,960,827)	(382,775)
Finance costs	23	(306,673)	(235,763)	–	–
Profit/(Loss) before taxation	24	7,302,590	6,786,189	(1,745,344)	583,578
Taxation	25	(844,539)	(489,177)	(42,005)	(46,412)
Net profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year		6,458,051	6,297,012	(1,787,349)	537,166
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		6,796,465	6,432,590	(1,787,349)	537,166
Non-controlling interests		(338,414)	(135,578)	–	–
		6,458,051	6,297,012	(1,787,349)	537,166
Earnings per share	26				
Basic (sen)		1.55	1.77		
Diluted (sen)		NA	NA		

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2015

Group	Note	Attributable to Owners of the parent: Non-Distributable: Share Capital RM	Share Premium RM	Merger Deficits RM	Distributable: Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2014		18,170,656	11,556,808	(4,969,130)	23,692,330	48,450,664	7,400	48,458,064
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	–	6,432,590	6,432,590	(135,578)	6,297,012
Transaction with owners:								
Dividends to owners of the Company	27	–	–	–	(475,000)	(475,000)	–	(475,000)
At 31 December 2014		18,170,656	11,556,808	(4,969,130)	29,649,920	54,408,254	(128,178)	54,280,076
At 1 January 2015		18,170,656	11,556,808	(4,969,130)	29,649,920	54,408,254	(128,178)	54,280,076
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	–	6,796,465	6,796,465	(338,414)	6,458,051
Transaction with owners:								
Dividends to owners of the Company	27	–	–	–	(417,072)	(417,072)	–	(417,072)
Issue of ordinary shares	13, 14	5,000,000	12,805,097	–	–	17,805,097	–	17,805,097
Change in ownership interest in a subsidiary company		–	–	–	410,670	410,670	189,330	600,000
Total transactions with owners		5,000,000	12,805,097	–	(6,402)	17,798,695	189,330	17,988,025
At 31 December 2015		23,170,656	24,361,905	(4,969,130)	36,439,983	79,003,414	(277,262)	78,726,152

STATEMENTS OF CHANGES IN EQUITY (continued)

Company	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 January 2014		18,170,656	11,556,808	(150,130)	29,577,334
Net profit for the financial year, representing total comprehensive income for the financial year		–	–	537,166	537,166
Transaction with owners:					
Dividend to owners of the Company	27	–	–	(475,000)	(475,000)
At 31 December 2014		18,170,656	11,556,808	(87,964)	29,639,500
At 1 January 2015		18,170,656	11,556,808	(87,964)	29,639,500
Net loss for the financial year, representing total comprehensive loss for the financial year		–	–	(1,787,349)	(1,787,349)
Transaction with owners					
Dividends to owners of the Company	27	–	–	(417,072)	(417,072)
Issued of ordinary shares	13, 14	5,000,000	12,805,097	–	17,805,097
Total transactions with owners		5,000,000	12,805,097	(417,072)	17,388,025
At 31 December 2015		23,170,656	24,361,905	(2,292,385)	45,240,176

STATEMENTS OF CASH FLOWS
for the financial year
ended 31 December 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash Flows From Operating Activities				
Profit/(loss) before taxation	7,302,590	6,786,189	(1,745,344)	583,578
Adjustments for:				
Amortisation of development expenditures	1,339,450	966,926	–	–
Bad debts written off	6,854	1,700	–	–
Dividend income from a subsidiary company	–	–	(417,072)	(475,000)
Deposits written off	52,074	–	–	–
Depreciation of property, plant and equipment	3,390,717	2,397,984	105	105
Gain on disposal of property, plant and equipment	(9,434)	–	–	–
Grant income	(3,112,760)	(4,226,773)	–	–
Impairment loss on trade receivables	128,844	125,273	–	–
Interest expenses	306,673	235,763	–	–
Interest income	(203,910)	(204,397)	(150,411)	(131,353)
Inventories written off	1,993	–	–	–
Listing expenses written off	2,350,548	–	2,173,826	–
Reversal of impairment on trade receivebles	(27,135)	–	–	–
Unrealised gain on foreign exchange	(96,163)	–	–	–
Operating profit/(loss) before working capital changes	11,430,341	6,082,665	(138,896)	(22,670)
Changes in working capital:				
Biological assets	(282,765)	–	–	–
Inventories	(604,865)	(1,134,916)	–	–
Trade receivables	(6,503,364)	14,091	–	–
Other receivables	(549,892)	1,078,262	658,675	(684,853)
Trade payables	(214,181)	(854,295)	–	–
Other payables	(367,178)	761,648	(491,492)	431,119
Amounts owing by subsidiary companies	–	–	(10,954,484)	(8,512,400)
Amounts owing to a Director	(70)	(76,353)	–	–
	(8,522,315)	(211,563)	(10,787,301)	(8,766,134)

STATEMENTS OF CASH FLOWS (continued)

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Cash generated from/(used in) operations		2,908,026	5,871,102	(10,926,197)	(8,788,804)
Interest paid		(306,673)	(235,763)	–	–
Interest received		203,910	204,397	150,411	131,353
Tax paid		(165,001)	(204,746)	(38,115)	(36,074)
Tax refunded		–	–	–	–
		(267,764)	(236,112)	112,296	95,279
Net cash from/(used in) operating activities		2,640,262	5,634,990	(10,813,901)	(8,693,525)
Cash Flows From Investing Activities					
Additional of development expenditure	6	(6,233,963)	(3,515,649)	–	–
Purchase of property, plant and equipment	4(e)	(2,604,526)	(3,417,517)	–	–
Proceed from disposal of property, plant and equipment		9,434	–	–	–
Dividend received		–	–	417,072	475,000
Deposits paid for purchase of property, plant and equipment		(6,006,727)	(4,167,585)	–	–
Net cash (used in)/from investing activities		(14,835,782)	(11,100,751)	417,072	475,000
Cash Flows From Financing Activities					
Net changes on banker's acceptance		(600,000)	6,018	–	–
Dividend paid		(226,094)	(248,906)	(226,094)	(248,906)
Drawdown of term loans		750,000	–	–	–
Grant received		2,660,682	4,717,079	–	–
Decreased/(Increased) in fixed deposits pledged		(49,435)	(86,369)	–	–
Proceed from issuance of share capital	13, 14	20,000,000	–	20,000,000	–
Payment of share issue expenses		(4,545,451)	–	(4,368,729)	–
Additional investment by non-controlling interests		600,000	–	–	–
Repayment of finance lease payables		(493,199)	(260,833)	–	–
Repayment of term loans		(2,479,497)	(230,130)	–	–
Net cash from/(used in) financing activities		15,617,006	3,896,859	15,405,177	(248,906)

STATEMENTS OF CASH FLOWS (continued)

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Net increase/(decrease) in cash and cash equivalents	3,421,486	(1,568,902)	5,008,348	(8,467,431)
Effect of exchange rate changes	71,036	–	–	–
Cash and cash equivalents at the beginning of the financial year	8,623,106	10,192,008	6,437	8,473,868
Cash and cash equivalents at the end of the financial year	12,115,628	8,623,106	5,014,785	6,437
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	5,803,544	8,706,259	14,785	6,437
Fixed deposits with licensed banks	7,965,440	1,115,786	5,000,000	–
Less: Bank overdraft	(788,135)	(383,153)	–	–
	12,980,849	9,438,892	5,014,785	6,437
Less: Fixed deposits pledged with licensed banks	(865,221)	(815,786)	–	–
	12,115,628	8,623,106	5,014,785	6,437

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Adoption of new and amended standards

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

Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle	
Annual Improvements to MFRSs 2011 – 2013 Cycle	

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

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	To be announced

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

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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

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

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

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

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

MFRS 15 *Revenue from Contracts with Customers*

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

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

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

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

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

MFRS 16 *Leases*

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

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

The Directors of the Company will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

2. BASIS OF PREPARATION (CONT'D)

(b) Functional and presentation currency

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

(c) Significant accounting judgments, estimates and assumptions

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

Judgments

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

Key sources of estimation uncertainty

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

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

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

<u>Development costs</u>

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

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

Recoverability of development costs

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

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the Directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate. The carrying amount at the reporting date for development costs is disclosed in Note 6.

Amortisation of development costs

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

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 8.

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 10 and 11 respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 18.

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

Income taxes

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

The Group and the Company recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiary companies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

(b) Foreign currency transaction and balances

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency transaction and balances (Cont'd)

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.

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation

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

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

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

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

(d) Biological assets

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

As 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 oil palm trees are considered to be matured by 7 to 84 months after the initial field planting.

(e) Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

As lessee

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or both.

(ii) Operating lease

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

As lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets

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

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

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

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

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

(ii) Intangible assets acquired separately

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

(iii) Derecognition of intangible assets

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

See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets for intangible assets.

(g) Financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (Cont'd)

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables.

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

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

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

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

(h) Financial liabilities

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

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

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities measured at amortised costs.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities (Cont'd)

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

(i) Offsetting of financial instruments

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

(j) Inventories

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

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

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

(k) Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of assets

(i) Non-financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of assets (Cont'd)

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, and investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(m) Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Share capital

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

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

(o) Borrowing costs

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

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

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

(p) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(q) Segments reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sales of goods

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

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Rental income

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

(v) Dividend income

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

(vi) Management fee

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

(s) Income taxes

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income taxes (Cont'd)

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

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

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

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

(t) Government grants

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

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

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

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

(u) Contingencies

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

4. PROPERTY, PLANT AND EQUIPMENT

Group 2015	Leasehold land and factory building RM	Computer system and peripherals RM	Furniture and fittings RM	Lab and office equipments RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infrastructure expenditures RM	Capital work-in-progress RM	Total RM
Cost											
At 1 January 2015	4,067,129	494,799	207,603	573,446	607,503	19,049,445	3,765,616	1,012,188	1,222,500	468,500	31,468,729
Additions	–	84,957	49,157	111,319	474,004	4,513,548	531,633	44,642	113,572	67,919	5,990,751
Disposal	–	–	–	–	(27,964)	–	–	–	–	–	(27,964)
At 31 December 2015	4,067,129	579,756	256,760	684,765	1,053,543	23,562,993	4,297,249	1,056,830	1,336,072	536,419	37,431,516
Accumulated depreciation											
At 1 January 2015	109,038	288,740	82,241	157,914	295,736	4,549,315	1,052,675	263,461	366,750	–	7,165,870
Charge for the financial year	73,954	49,667	24,445	91,416	157,193	2,360,064	406,517	102,269	125,192	–	3,390,717
Disposal	–	–	–	–	(27,964)	–	–	–	–	–	(27,964)
At 31 December 2015	182,992	338,407	106,686	249,330	424,965	6,909,379	1,459,192	365,730	491,942	–	10,528,623
Carrying amount											
At 31 December 2015	3,884,137	241,349	150,074	435,435	628,578	16,653,614	2,838,057	691,100	844,130	536,419	26,902,893

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

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

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

	Company 2015 RM	Company 2014 RM
Office equipment		
Cost		
At 1 January/31 December	1,049	1,049
Accumulated depreciation		
At 1 January	105	–
Charge for the financial year	105	105
At 31 December	210	105
Carrying amount		
At 31 December	839	944

(a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 17:

	Company 2015 RM	Company 2014 RM
Leasehold land and factory building	–	3,958,091

(b) The remaining lease period of the leasehold land and factory building is 91 years (2014: 92 years).

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

The carrying amount of property, plant and equipment of the Group pledged to Malaysia Biotechnology Corporation Sdn. Bhd. ("MBC") as securities for the credit facility as disclosed in Note 17:

	Group 2015 RM	Group 2014 RM
Plant and machineries	750,000	–

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

(d) Assets held under finance leases

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

	Group 2015 RM	2014 RM
Plant and machineries	–	352,647
Motor vehicles	528,294	195,888
	528,294	548,535

The leased assets are pledged as security for finance lease liabilities as disclosed in Note 16.

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

	Group 2015 RM	2014 RM
Aggregate costs	5,990,751	9,331,517
Less: Reclassified from other receivables	(3,062,025)	(5,914,000)
Less: Finance leases	(324,200)	–
Cash payments	2,604,526	3,417,517

5. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company 2015 RM	2014 RM
At Cost		
In Malaysia:		
Unquoted shares	12,719,130	12,719,130

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) All the subsidiary companies are incorporated in Malaysia and details of the subsidiary companies are as follows:

Name of company	Effective Interest 2015 %	Effective Interest 2014 %	Principal activities
Direct holdings:			
Bioalpha International Sdn. Bhd.	100	100	Research and development and manufacturers, importers, exporters, distribution and traders of nutritional and healthcare products
Bioalpha R&D Sdn. Bhd.	100	100	Research and development and manufacturers, suppliers, distributors, wholesalers or retailers of healthcare and nutritional products
Botanical Distribution Sdn. Bhd.	100	100	Suppliers, distributors, direct selling agents, wholesaler or retailer or healthcare and nutrition products
Indirect holdings: **Held through Bioalpha International Sdn. Bhd.**			
Bioalpha Agro Sdn. Bhd.	72	72	Import, export, cultivate, manufacture, distribute and trade in variety of agro products, medical herbs and *cordyceps*
Bioalpha East Coast Agro Sdn. Bhd.	100	100	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products
Indirect holdings: **Held through Botanical Distribution Sdn. Bhd.**			
Alphacare Sdn. Bhd.	70	100	Concept shop operators, general merchants, online trading agents, franchisors, wholesaler or retailer of healthcare, nutritional products, food & beverages
Indirect holdings: **Held through Bioalpha Agro Sdn. Bhd.**			
Bioalpha (Johor Herbal) Sdn. Bhd.	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)

(c) Material partly-owned subsidiary companies

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

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2015 %	2014 %	2015 RM	2014 RM	2015 RM	2014 RM
Bioalpha Agro Sdn. Bhd. ('BASB')	28	28	(74,708)	(3,317)	58,470	133,178
Bioalpha (Johor Herbal) Sdn. Bhd. ('BJHSB')	49.6	49.6	(104,229)	(132,261)	(365,585)	(261,356)
Alphacare Sdn. Bhd. ("Alpha")	30	–	(159,477)	–	29,853	–
Total non-controlling interests			(338,414)	(135,578)	(277,262)	(128,178)

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

(i) Summarised statements of financial position

	BASB RM	BJHSB RM	ALPHA RM
2015			
Summarised statements of financial position			
Non-current assets	774,647	16,531	783,944
Current assets	2,025,376	20,743	624,145
Non-current liabilities	(99,003)	–	–
Current liabilities	(2,492,198)	(766,437)	(1,308,579)
Net assets/(liabilities)	208,822	(729,163)	99,510
2014			
Summarised statements of financial position			
Non-current assets	910,471	27,767	807,129
Current assets	2,050,162	9,947	1,187,339
Non-current liabilities	(141,022)	–	–
Current liabilities	(2,512,292)	(552,816)	(1,597,963)
Net assets/(liabilities)	307,319	(515,102)	396,505

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Material partly-owned subsidiaries (Cont'd)

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

	BASB RM	BJHSB RM	ALPHA RM
2015			
Summarised statements of profit or loss and other comprehensive income			
Revenue	1,539,500	108,892	513,303
Net loss for the financial year, representing total comprehensive loss for the financial year	(98,497)	(214,061)	(896,995)
2014			
Summarised statements of profit or loss and other comprehensive income			
Revenue	2,167,020	117,000	899,363
Net loss for the financial year, representing total comprehensive loss for the financial year	(11,847)	(266,656)	(962,338)

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

	BASB RM	BJHSB RM	ALPHA RM
2015			
Summarised statements of cash flows			
Net cash (used in)/from operating activities	(770,213)	3,148	(522,794)
Net cash used in investing activities	–	–	(75,000)
Net cash used in financing activities	(11,754)	–	600,000
Net (decrease)/increase in cash and cash equivalents	(781,967)	3,148	2,206
2014			
Summarised statements of cash flows			
Net cash from/(used in) operating activities	808,339	2,821	(540,258)
Net cash used in investing activities	–	(13,500)	(853,596)
Net cash used in financing activities	(10,055)	–	1,399,998
Net increase/(decrease) in cash and cash equivalents	798,284	(10,679)	6,144

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(d) Acquisition of subsidiary company

On 22 June 2015, Bioalpha East Coast Agro Sdn. Bhd ("BECA"), a wholly-owned subsidiary of Bioalpha International Sdn. Bhd. ("BISB") has increased its issued and paid-up share capital from 200,000 to 1,000,000 ordinary shares of RM1.00 each. BISB has subscribed for its additional 800,000 ordinary shares in BECA by way of capitalisation of amount owing to holding company.

On 28 December 2015, BECA has increased its issued and paid-up share capital from 1,000,000 to 2,000,000 ordinary shares of RM1.00 each. BISB also has subscribed for its additional 1,000,000 ordinary shares in BECA by way of capitalisation of amount owing to holding company.

(e) Changes in equity interest in a subsidiary company

On 14 May 2015, Alphacare Sdn. Bhd ("Alpha"), a wholly-owned subsidiary of Botanical Distribution Sdn. Bhd. ("BDSB") has increased its paid-up share capital from 1,400,000 to 2,000,000 ordinary shares of RM1.00 each. The new ordinary shares are subscribed by MyAngkasa Farmasi Sdn. Bhd. ("MFSB") at a total cash consideration of RM600,000. Consequently, BDSB's shareholding in Alpha has diluted from 100% to 70%.

The effect of changes in the equity interest that is attributable to owners of the parent is as follows:

	RM
Carrying amount of non-controlling interests diluted	(189,330)
Consideration paid by non-controlling interests	600,000
Increase in parent's equity	410,670

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

6. DEVELOPMENT EXPENDITURES

	Group	
	2015 **RM**	**2014** **RM**
Cost		
At 1 January	10,084,140	6,568,491
Additions	6,233,963	3,515,649
At 31 December	16,318,103	10,084,140
Accumulated amortisation		
At 1 January	2,007,981	1,041,055
Amortisation for the financial year	1,339,450	966,926
At 31 December	3,347,431	2,007,981
Carrying amount		
31 December	12,970,672	8,076,159

Development expenditure represents the costs incurred in respect of the on-going development of *Andrographis paniculata, Labisia pumila, Cordyceps sinensis and Lignosus rhinoceros* as an active biological compound for use in health formulations.

7. BIOLOGICAL ASSETS

	Group	
	2015 **RM**	**2014** **RM**
Cost		
At 1 January	–	–
Addition	282,765	–
At 31 December	282,765	–
Carrying amount		
At 31 December	282,765	–

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

The biological assets have been stated at cost less accumulated 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.

As at 31 December 2015, the Group has 123 acres (2014: Nil) of herbal plantations.

8. INVENTORIES

	Group 2015 RM	2014 RM
At costs		
Raw materials	4,169,312	3,689,963
Consumables	206,299	101,820
Finished goods	288,752	269,708
	4,664,363	4,061,491
Recognised in profit or loss:		
Inventories recognised as cost of sales	8,038,637	9,759,656
Inventories written off	1,993	–

9. TRADE RECEIVABLES

		Group 2015 RM	2014 RM
Trade receivables		19,476,613	12,954,976
Less: Accumulated impairment	(226,982)	(125,273)	
		19,249,631	12,829,703

The Group's normal trade credit terms are 30 to 180 days (2014: 30 to 180 days). Other credit terms are assessed and approved on a case to case basis.

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

9. TRADE RECEIVABLES (CONT'D)

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

	Group 2015 RM	Group 2014 RM
At 1 January	125,273	–
Impairment loss recognised	128,844	125,273
Reversal of impairment	(27,135)	–
At 31 December	226,982	125,273

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

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	3,885,749	5,031,043
Past due not impaired:		
Less than 30 days	3,597,242	2,129,247
31 - 90 days	7,869,872	3,105,246
91 - 180 days	3,571,799	2,148,091
More than 180 days	324,969	416,076
	15,363,882	7,798,660
	19,249,631	12,829,703
Impaired	226,982	125,273
	19,476,613	12,954,976

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

As at 31 December 2015, trade receivables of RM15,349,942 (2014: RM7,798,660) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables of the Group that are individually assessed to be impaired amounting to RM226,982 (2014: RM125,273), related to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

<u>Credit risk concentration profile</u>

The Group has significant concentrations of credit risk arising from 12 (2014: 8) major customers that represent approximately 49% (2014: 69%) of the gross trade receivables balance at end of the reporting period.

10. OTHER RECEIVABLES

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Other receivables	2,723,907	1,451,227	–	–
Deposits	663,858	4,819,493	–	–
Prepayments	7,329,068	1,003,593	26,178	684,853
	10,716,833	7,274,313	26,178	684,853

(a) Included in the deposits of the Group amounting to RM294,520 (2014: RM3,062,025) are paid for purchases of property, plant and equipment.

(b) Included in the prepayments of the Group amounting to RM2,128,657 (2014:RM Nil) and RM3,583,550 (2014: RM Nil) are paid for purchases of property, plant and equipment and research development expenditure respectively.

11. AMOUNT OWING BY SUBSIDIARY COMPANIES

These represent unsecured, interest free advances and are repayable on demand.

12. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Fixed deposit with licensed banks maturity less than three months	7,100,219	300,000	5,000,000	–
Pledged fixed deposit with licensed bank	865,221	815,786	–	–
	7,965,440	1,115,786	5,000,000	–

The interest rates of fixed deposits of the Group and of the Company are range from 2.00% to 3.90% (2014: 3.20% to 3.40%) per annum and 3.90% (2014: Nil) per annum respectively. The maturities of deposits of the Group and of the Company are range from 4 to 365 days (2014: 180 to 365 days).

The fixed deposits with licensed banks of the Group amounted to RM565,221 (2014: RM815,786) and RM300,000 (2014: Nil) are pledged to licensed banks and non-financial institution respectively as securities for credit facilities granted to subsidiary companies as disclosed in Note 17.

13. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2015 Units	2014 Units	2015 RM	2014 RM
Ordinary shares of RM0.05 each:				
Authorised				
At 1 January/ 31 December	500,000,000	500,000,000	25,000,000	25,000,000
Issued and fully paid share capital:				
At 1 January	363,413,114	363,413,114	18,170,656	18,170,656
Issued during the financial year	100,000,000	–	5,000,000	–
At 31 December	463,413,114	363,413,114	23,170,656	18,170,656

During the financial year, the Company increased its issued and paid-up share capital from 363,413,114 to 463,413,114 through the creation of 100,000,000 new ordinary shares of RM0.05 at RM0.20 for a total cash consideration of RM20,000,000 for public issue and listing.

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

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

14. SHARE PREMIUM

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Non-distribution:				
Share premium				
At 1 January	11,556,808	11,556,808	11,556,808	11,556,808
Premium from public issue	15,000,000	–	15,000,000	–
Listing expenses	(2,194,903)	–	(2,194,903)	–
At 31 December	24,361,905	11,556,808	24,361,905	11,556,808

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

15. MERGER DEFICITS

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

	Group	
	2015 RM	**2014 RM**
Cost of merger	12,719,130	12,719,130
Less: Net assets of subsidiary companies	(7,750,000)	(7,750,000)
Merger deficits	4,969,130	4,969,130

16. FINANCE LEASE LIABILITIES

	Group	
	2015 RM	**2014 RM**
Minimum lease payments:		
Within one year	127,374	297,925
Later than one year and not later than two years	236,810	300,046
Later than two year and not later than five years	63,948	–
	428,132	597,971
Less: Future finance charges	(34,182)	(35,022)
Present value of minimum finance lease payables	393,950	562,949
Present value of minimum finance lease payments		
Within one year	144,126	274,122
Later than one year and not later than two years	189,610	288,827
Later than two year and not later than five years	60,214	–
	393,950	562,949
Analysed as:		
Repayable within twelve months	144,126	274,122
Repayable after twelve months	249,824	288,827
	393,950	562,949

The obligations under finance leases are secured by a charge over the leased assets (Note 4(d)). The interest rate of the Company for the finance leases as at reporting date is ranging 2.54% to 4.05% (2014: 2.5% to 4.0%) per annum.

17. BANK BORROWINGS

	Group	
	2015 RM	2014 RM
Secured		
Bank overdraft	788,135	383,153
Banker's acceptances	–	600,000
Term loans	750,000	2,479,497
	1,538,135	3,462,650
Analysed as:		
Repayable within twelve months		
Bank overdraft	788,135	383,153
Banker's acceptances	–	600,000
Term loans	58,293	226,784
	846,428	1,209,937
Repayable after twelve months		
Term loans	691,707	2,252,713
	1,538,135	3,462,650

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

(i) charge over certain of plant and machinery of the Group as disclosed in Note 4;
(ii) charge on fixed deposits with licensed banks of the Group as disclosed in Note 12;
(iii) joint and severally guaranteed by Directors of the Company; and
(iv) corporate guarantee by the Company.

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

	Group	
	2015 %	2014 %
Bank overdraft	8.60	7.60 - 8.60
Bankers' acceptances	–	5.91
Term loans	5.00	5.40 - 5.90

17. BANK BORROWINGS (CONT'D)

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

	Group	
	2015 RM	**2014 RM**
Within one year	846,428	1,209,937
Later than one year but not later than two years	360,154	244,915
Later than two years but not later than five years	331,553	281,133
Later than five years	–	1,726,665
	1,538,135	3,462,650

18. DEFERRED TAX LIABILITIES

	Group	
	2015 RM	**2014 RM**
At 1 January	1,936,735	1,553,100
Recognised in profit or loss	708,870	383,635
At 31 December	2,645,605	1,936,735

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

	Group	
	2015 RM	**2014 RM**
Deferred tax liabilities	4,245,652	3,135,947
Deferred tax assets	(1,600,047)	(1,199,212)
	2,645,605	1,936,735

18. DEFERRED TAX LIABILITIES (CONT'D)

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Development expenditure RM	Total RM
At 1 January 2015	1,382,706	1,753,241	3,135,947
Recognised in profit or loss	47,557	1,062,148	1,109,705
At 31 December 2015	1,430,263	2,815,389	4,245,652
At 1 January 2014	968,800	1,129,200	2,098,000
Recognised in profit or loss	413,906	624,041	1,037,947
At 31 December 2014	1,382,706	1,753,241	3,135,947

Deferred tax assets of the Group:

	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 January 2015	(185,785)	(1,013,427)	(1,199,212)
Recognised in profit or loss	84,315	(485,150)	(400,835)
At 31 December 2015	(101,470)	(1,498,577)	(1,600,047)
At 1 January 2014	(103,700)	(441,200)	(544,900)
Recognised in profit or loss	(82,085)	(572,227)	(654,312)
At 31 December 2014	(185,785)	(1,013,427)	(1,199,212)

18. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax assets of the Group: (Cont'd)

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Unused tax losses	2,677,032	1,419,272	79,834	6,288
Unutilised capital allowances	348,217	62,154	105	105
	3,025,249	1,481,426	79,939	6,393

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.

19. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 to 90 days (2014: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

20. OTHER PAYABLES

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Other payables	746,825	927,485	2,400	130,625
Deposits	–	8,251	–	–
Deferred capital grant	3,163,747	3,615,825	–	–
Dividend payables	417,072	226,094	417,072	226,094
Accruals	806,492	984,759	29,500	392,767
	5,134,136	5,762,414	448,972	749,486

Deferred capital grant refers to government grant received from Malaysia Biotechnology Corporation Sdn. Bhd. ("MBC") 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 as other income in profit or loss.

20. OTHER PAYABLES (CONT'D)

The movement of the deferred capital grant is as follows:

	Group	
	2015 RM	2014 RM
At 1 January	3,615,825	3,125,519
Grant received during the financial year	119,700	676,200
Amortised during the financial year	(571,778)	(185,894)
At 31 December	3,163,747	3,615,825

21. AMOUNT OWING TO A DIRECTOR

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

22. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sales of goods	29,720,283	27,114,575	–	–
Management fee	–	–	648,000	360,000
	29,720,283	27,114,575	648,000	360,000

23. FINANCE COSTS

	Group	
	2015 RM	2014 RM
Interest expenses on:		
- Bank overdraft	101,549	35,434
- Banker's acceptances	38,893	6,697
- Term loans	139,492	157,173
- Finance leases	26,739	36,101
- Others	–	358
	306,673	235,763

24. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Auditors' remuneration:				
- current year	79,000	55,000	25,000	10,000
- over provision in prior years	(4,000)	–	(15,000)	–
- others	90,000	–	90,000	–
Amortisation of development expenditures	1,339,450	966,926	–	–
Bad debts written off	6,854	1,700	–	–
Depreciation of property, plant and equipment	3,390,718	2,397,984	105	105
Deposits written off	52,074	–	–	–
Non-executive Directors' remuneration:				
- fee	158,200	333,000	158,200	327,000
- salaries and other emoluments	17,700	–	14,500	–
Dividend income from a subsidiary company	–	–	(417,072)	(475,000)
Gain disposal of property, plant and equipment	(9,434)	–	–	–
Listing expenses written off	2,350,548	–	2,173,826	–
Loss/(Gain) on foreign exchange:				
- realised	37,836	11,702	–	–
- unrealised	(96,163)	–	–	–
Grant income	(3,112,760)	(4,226,773)	–	–
Impairment loss on trade receivables	128,844	125,273	–	–
Interest income	(203,910)	(204,397)	(150,411)	(131,353)
Inventories written off	1,993	–	–	–
Rental income	–	(33,870)	–	–
Rental of equipment	22,871	–	–	–
Rental of premises	536,524	344,340	–	–
Reversal of impairment on trade receivables	(27,135)	–	–	–

25. TAXATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Tax expense recognised in profit or loss				
Malaysia statutory tax:				
- Current tax provision	152,653	116,375	37,603	32,838
- (Over)/Under provision in prior years	(16,984)	(10,833)	4,402	13,574
	135,669	105,542	42,005	46,412
Deferred tax:				
- Original and reversal of temporary differences	872,379	507,329	–	–
- Relating to changes in tax rate	(124,948)	–	–	–
- Over provision in prior years	(38,561)	(123,694)	–	–
	708,870	383,635	–	–
	844,539	489,177	42,005	46,412

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profits for the financial year. The statutory tax rate will be reduced to 24% from the current year's rate 25% effective year of assessment 2016. The computations of deferred tax as at 31 December 2015 have reflected the change.

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

25. TAXATION (CONT'D)

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

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Profit/(Loss) before taxation	7,302,590	6,786,189	(1,745,344)	583,578
At Malaysian statutory tax rate of 25% (2014: 25%)	1,825,648	1,696,547	(436,336)	145,895
Expenses not deductible for tax purposes	1,219,175	343,942	558,222	4,096
Reduction in tax rate	(124,948)	–	–	–
Income exempted under BioNexus status	(1,307,329)	(1,127,342)	–	–
Income not subject to tax	(688,839)	(46,475)	(104,268)	(118,751)
Deferred tax assets not recognised	384,370	309,229	19,985	1,598
Utilisation of reinvestment allowances	(407,993)	(552,197)	–	–
Over provision of income tax in respect of previous years	(16,984)	(10,833)	4,402	13,574
Over provision of deferred tax in respect of previous years	(38,561)	(123,694)	–	–
	844,539	489,177	42,005	46,412

The Group and the Company has unused tax losses and unutilised capital allowances of RM2,677,032 and RM79,834 (2014: RM1,378,654 and RM6,288) and RM771,011 and RM105 (2014: RM571,023 and RM105) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

26. EARNINGS PER SHARE

(a) Earnings per share

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

	Group	
	2015 **RM**	**2014** **RM**
Profit attributable to owners of the parent	6,796,465	6,432,590
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	363,413,114	363,413,114
Effect of ordinary shares issued during the financial year	74,520,548	–
Weighted average number of ordinary shares at 31 December	437,933,662	363,413,114
Basic earnings per ordinary shares (in sen)	1.55	1.77

(b) Diluted earnings per share

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

27. DIVIDENDS

	Group and Company	
	2015 **RM**	**2014** **RM**
Dividends recognised as distribution to ordinary shareholders of the Company		
In respect of the financial year ended 31 December 2014 - interim single-tier dividend of RM0.0013 per ordinary share	–	475,000
In respect of the financial year ended 31 December 2015 - interim single-tier dividend of RM0.0009 per ordinary share	417,072	–
	417,072	475,000

The Board of Directors does not recommend any final dividend is respect of financial year.

28. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fee	220,500	–	220,500	–
Salaries and other emoluments	3,686,545	3,019,975	258,265	2,000
Defined contribution plan	323,769	267,798	–	–
Other employee benefits	74,641	40,246	–	–
	4,305,455	3,328,019	478,765	2,000
Less: Capitalised into biological assets	(149,680)	–	–	–
	4,155,775	3,328,019	478,765	2,000

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fee	220,500	–	220,500	–
Salaries and other emoluments	777,005	647,240	258,265	2,000
Defined contribution plan	51,300	46,944	–	–
	1,048,805	694,184	478,765	2,000

29. 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.

29. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant related party transactions

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

	Group	
	2015	**2014**
	RM	**RM**
Transaction with subsidiary companies		
- Management fee received/receivable	648,000	360,000
- Dividend income	417,072	475,000

(c) Compensation of key management personnel

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Fee	378,700	333,000	378,700	327,000
Salaries and other emoluments	1,597,800	1,193,223	1,075,860	547,983
Defined contribution plan	122,997	93,585	71,697	46,641
	2,099,497	1,619,808	1,526,257	921,624

30. SEGMENT INFORMATION

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

Geographical information

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

	Group	
	2015	**2014**
	RM	**RM**
Malaysia	6,261,102	13,925,763
Indonesia	14,414,787	10,518,568
China	8,327,018	311,130
Australia	–	2,347,100
Others	717,376	12,014
	29,720,283	27,114,575

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

Major customers

Revenue from 2 (2014: 2) major customers amounting to RM5,139,988 (2014: RM6,850,988), arising from group revenue.

31. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

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

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2015			
Financial Assets			
Trade receivables	19,249,631	–	19,249,631
Other receivables	3,387,765	–	3,387,765
Fixed deposits with licensed banks	7,965,440	–	7,965,440
Cash and bank balances	5,803,544	–	5,803,544
	36,406,380	–	36,406,380
Financial Liabilities			
Trade payables	–	178,159	178,159
Other payables	–	1,970,389	1,970,389
Amounts owing to a Director	–	22,049	22,049
Finance lease liabilities	–	393,950	393,950
Bank borrowings	–	1,538,135	1,538,135
	–	4,102,682	4,102,682
2014			
Financial Assets			
Trade receivables	12,829,703	–	12,829,703
Other receivables	6,270,720	–	6,270,720
Fixed deposits with licensed banks	1,115,786	–	1,115,786
Cash and bank balances	8,706,259	–	8,706,259
	28,922,468	–	28,922,468
Financial Liabilities			
Trade payables	–	392,340	392,340
Other payables	–	2,146,589	2,146,589
Amounts owing to a Director	–	22,119	22,119
Finance lease liabilities	–	562,949	562,949
Bank borrowings	–	3,462,650	3,462,650
	–	6,586,647	6,586,647

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2015			
Financial Assets			
Amount owing to a subsidiary company	27,943,493	–	27,943,493
Fixed deposits with licensed banks	5,000,000	–	5,000,000
Cash and bank balances	14,785	–	14,785
	32,958,278	–	32,958,278
Financial Liabilities			
Other payables	–	448,972	448,972
Amount owing to a Director	–	1,049	1,049
	–	450,021	450,021
2014			
Financial Assets			
Amount owing by a subsidiary company	16,989,009	–	16,989,009
Cash and bank balances	6,437	–	6,437
	16,995,446	–	16,995,446
Financial Liabilities			
Other payables	–	749,486	749,486
Amounts owing to a Director	–	1,049	1,049
	–	750,535	750,535

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objective and policies

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

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

(i) Credit risk

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

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

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

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and non-financial institutions for banking facilities and supply of goods and services granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM3,000,000 (2014: RM4,960,000), representing the outstanding banking facilities and for supply of goods and services to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

At 31 December 2015, the Group had 12 customers (2014: 8 customers) that accounted for approximately 49% (2014: 69%) of the gross trade receivables balance.

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(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. All the financial liabilities of the Company are repayable with one year or on demand.

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.

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2015			
Non-derivative financial liabilities			
Other payables	448,972	448,972	448,972
Amounts owing to Directors	1,049	1,049	1,049
	450,021	450,021	450,021
2014			
Non-derivative financial liabilities			
Other payables	749,486	749,486	749,486
Amounts owing to Directors	1,049	1,049	1,049
	750,535	750,535	750,535

31. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2015						
Non-derivative financial liabilities						
Trade payables	178,159	–	–	–	178,159	178,159
Other payables	1,970,389	–	–	–	1,970,389	1,970,389
Amounts owing to a Director	22,049	–	–	–	22,049	22,049
Finance lease liabilities	127,374	236,810	63,948	–	428,132	393,950
Bank borrowings	852,555	386,518	339,553	–	1,578,626	1,538,135
	3,150,526	623,328	403,501	–	4,177,355	4,102,682
2014						
Non-derivative financial liabilities						
Trade payables	392,340	–	–	–	392,340	392,340
Other payables	2,146,589	–	–	–	2,146,589	2,146,589
Amounts owing to a Director	22,119	–	–	–	22,119	22,119
Finance lease liabilities	297,925	300,046	–	–	597,971	562,949
Bank borrowings	1,358,705	375,552	584,389	2,718,214	5,036,860	3,462,650
	4,217,678	675,598	584,389	2,718,214	8,195,879	6,586,647

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk

(i) Foreign currency risk

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

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

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

	Denominated in USD RM
Group	
2015	
Cash and bank balances	536,409
2014	
Cash and bank balances	2,301,700

Foreign currency sensitivity analysis

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

	2015 Change in currency rate	**2015 Effect on profit before taxation RM**	**2014 Change in currency rate**	**2014 Effect on profit before taxation RM**
USD	Strengthend 10%	53,641	Strengthend 10%	230,170
	Weakend 10%	(53,641)	Weakend 10%	(230,170)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk (Cont'd)

(ii) Interest rate risk

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

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

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

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed rate instruments				
Financial asset:				
Fixed deposits with licensed banks	7,965,440	1,115,786	5,000,000	–
Financial liabilities:				
Bankers' acceptance	–	600,000	–	–
Finance lease liabilities	393,950	562,949	–	–
Term loan	750,000	–	–	–
	1,143,950	1,162,949	–	–
Floating rate instruments				
Financial liabilities:				
Bank overdraft	788,135	383,153	–	–
Term loans	–	2,479,497	–	–
	788,135	2,862,650	–	–

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

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

	Effect to profit or loss	
	2015	**2014**
	RM	**RM**
Group		
Interest rate increased by 1%	7,881	28,627
Interest rate decreased by 1%	(7,881)	(28,627)

(d) Fair value of financial instruments

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

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
Group					
2015					
Financial liabilities (Non-current)					
Finance lease liabilities	–	242,764	–	242,764	249,824
Term loan	–	368,185	–	368,185	691,707
	–	610,949	–	610,949	941,531
2014					
Financial liabilities (Non-current)					
Finance lease liabilities	–	246,888	–	246,888	288,827
Term loans	–	2,252,713	–	2,252,713	2,252,713
	–	2,499,601	–	2,499,601	2,541,540

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

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

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

(iv) Level 3 fair value

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

32. CAPITAL COMMITMENT

	Group	
	2015 **RM**	**2014** **RM**
Authorised and contracted for		
Purchase of property, plant and equipment	4,500,000	4,500,000

33. CONTINGENT LIABILITY

	Company	
	2015 **RM**	**2014** **RM**
Unsecured		
Corporate guarantees given to the license banks for credit facility granted to subsidiary companies	3 ,000,000	4,960,000

34. 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 end of the reporting period are as follows:

	Group		Company	
	2015 **RM**	**2014** **RM**	**2015** **RM**	**2014** **RM**
Total loans and borrowings	1,932,085	4,025,599	–	–
Less: Cash and cash equivalents	(12,115,628)	(8,623,106)	(5,014,785)	(6,437)
Excess of cash and cash equivalents	(10,183,543)	(4,597,507)	(5,014,785)	(6,437)
Total equity	79,003,414	54,408,254	45,240,176	29,639,500
Gearing ratio (%)	N/A	N/A	N/A	N/A

34. CAPITAL MANAGEMENT (CONT'D)

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

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

35. SIGNIFICANT EVENTS

(a) On 14 April 2015, the Company's entire enlarged issued and paid-up share capital of RM23,170,656 comprising of 463,413,114 ordinary shares of RM0.05 each was listed on the ACE Market of Bursa Malaysia Securities Berhad.

(b) On 18 August 2015, the Company had entered into a Memorandum of Undertaking ("MOU") with PUC Founder (MSC) Berhad ("PUCF") in relation to a collaboration whereby the Company intends to undertake herbs planting activities on the lands owned by PUCF and/or its subsidiary company on which PUCF's solar photovoltaic ("PV") plants are to be located and PUCF intends to construct and operate solar PV plants on the lands owned by the Company and/or its subsidiary companies on which the Company currently utilised for its herbs planting activities.

Subsequently, the MOU no longer commercially viable subsequent to the feasibility study conducted. the Company and PUCF has mutually agreed in writing to terminate the MOU with effect from 16 February 2016.

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

In relation to the said acquisition, all the conditions precedent set out in the SSA have been fulfilled, and accordingly the SSA has become unconditional on 15 January 2016.

36. SUBSEQUENT EVENT

On 29 January 2016, the Company had increased its issued and paid-up share capital by way of issuance of private placement of 17,718,962 new ordinary shares of RM0.05 each at the issue price of RM0.33 per share for working capital purposes.

37. 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 25 April 2016.

38. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings of the Company and its subsidiaries				
- realised	37,703,361	31,049,675	(2,292,385)	(87,964)
- unrealised	(2,549,442)	(1,936,735)	–	–
	35,153,919	29,112,940	(2,292,385)	(87,964)
Add : Consolidation adjustments	1,286,064	536,980	–	–
Total retained earnings	36,439,983	29,649,920	(2,292,385)	(87,964)

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

PROPERTIES

OWNED

Registered owner	Location	Description and Existing Use	Date of Certificate of Fitness	Built-Up Area/ Land Area Sq. ft.	Tenure	Carrying Amount as at 31 December 2015 RM'000	Date of last revaluation	Age
BISB	No. 10, Jalan P/9A Section 13 Bandar Baru Bangi Selangor	Industrial land with the following buildings erected thereon: • a semi-detached two (2)-storey building annexed with an open shed for our manufacturing facility; • two (2) utility cabins* for our restroom and surau; and • a guardhouse.	30.04.2012	8,137 / 11,000	99 years expiring on 20.08.2105	3,955	March 10, 2013	89 years

LEASED

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BDSB	Dewina LSG Sdn Bhd	No. 12, Jalan P/9A Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor	Industrial land with a semi-detached one (1) ½-storey building for our manufacturing facility	5,600 sq. ft. / 11,000 sq. ft.	8,000 per month	01.02.2016 to 31.01.2018
BISB	Wong Oon Chien and Choong Yoke Lan	No. 190, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Two (2) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / [(1)]	1,500 per month	01.01.2016 to 31.12.2017
	Tan Eng Sin and Choong Yoke Lan	No. 191, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / [(1)]	1,500 per month	01.01.2016 to 31.12.2017
Alphacare	Lim Kok Keong	No. 2, Ground Floor, Jalan Solaris 5, Solaris Mont Kiara, Off Jalan Duta Kiara 50480 Kuala Lumpur	One (1) corner unit on the ground floor of a four (4) storey building for our "LifeSprings" retail outlet	1,680 sq. ft. / [(1)]	17,000 per month	16.04.2014 to 15.04.2017

PROPERTIES
(continued)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BHB, BISB and BECA	ECERDC	Lot PT 1748 H. S. (D) 1966, Mukim Pasir Raja, Daerah Dungun, Terengganu	Agricultural land for the cultivation and farming of herbal plants with the following infrastructure erected thereon: • an administration and management building; • a fertilizer storage facility; • an equipment store cum repair and maintenance workshop; • residential buildings as follows: (i) one (1) unit of bungalow; (ii) twelve (12) units of office terrace; (iii) nine (9) units of family terrace; (iv) two (2) blocks of hostel; (v) surau; (vi) convenience store; • common facilities as follows: (i) skid tank; (ii) guardhouse; and (iii) water storage tank.	(2) / 123.5 to 1003 acres (3)	63,500 per annum (4)	07.04.2014 to 06.04.2044
BJHSB	Perbadanan Setiausaha Kerajaan Johor	PTD 4825 H.S.(D) 31408 and PTD 4823 H.S.(D) 31406, Mukim Pantai Timur, Daerah Kota Tinggi, Johor	Agricultural land for cultivation and farming of herbal and non-herbal plants	294.9	(3)	(3)

Notes:

(1) Not available as the leased property is a shop lot as a unit within a building.

(2) Not available as the leased buildings and infrastructures are of different types and sizes.

(3) We have yet to enter into a lease agreement with the registered owner of Desaru Land and register the same under Section 221(4) of the NLC.

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

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

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

ANALYSIS OF SHAREHOLDINGS
as at 25 March 2016

SHARE CAPITAL

Authorised Share Capital	:	RM25,000,000.00 divided into 500,000,000 ordinary shares
Issued and Paid-up Capital	:	RM25,000,000.00 comprising of 500,000,000 ordinary shares
Class of Shares	:	Ordinary Shares of RM0.05 each
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS
as at 25 March 2016

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of Issued Share Capital
Less than 100	11	0.44	261	0.00
100 - 1,000	128	5.10	79,844	0.02
1,001 - 10,000	930	37.08	6,546,200	1.31
10,001 - 100,000	1,176	46.89	42,868,400	8.57
100,001 - 24,999,999*	260	10.37	213,241,738	42.65
25,000,000 AND ABOVE **	3	0.12	237,263,557	47.45
Total	**2,508**	**100.00**	**500,000,000.00**	**100.00**

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

SUBSTANTIAL SHAREHOLDERS
as at 25 March 2016
(Per Register of Substantial Shareholders)

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Hon Tian Kok @ William	90,053,717	18.01	–	–
2	Perbadanan Nasional Berhad	73,331,920	14.67	–	–
3	Malaysian Technology Development Corporation Sdn Bhd	80,402,920	16.08	–	–

DIRECTORS' INTERESTS IN SHARES
as at 25 March 2016
(Per Register of Directors' Shareholdings)

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Tan Sri Abd Rahman Bin Mamat	–	–	–	–
2	Hon Tian Kok @ William	90,053,717	18.01	–	–
3	Dr. Nik Ismail Bin Nik Daud	–	–	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Ho Tze Hiung	–	–	–	–
6	Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir	2,430,769	0.49	–	–
7	Dato' Rosely Bin Samsuri	–	–	–	–
8	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	–	–	–
9	Mohd Nasir Bin Abdullah	–	–	–	–

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(According to the Register of Depositors as at 25 March 2016)

No.	Name of Shareholders	No. of Shares	%
1	HON TIAN KOK @ WILLIAM	81,528,717	16.31
2	MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD	80,402,920	16.08
3	PERBADANAN NASIONAL BERHAD	75,331,920	15.07
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	15,000,000	3.00
5	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	10,906,800	2.18
6	MUHAMMAD NAGIB GOPAL BIN ABDULLAH	10,000,000	2.00
7	KU LIAN SIN	9,033,300	1.81
8	HSBC NOMINEES (ASING) SDN BHD HSBC-FS I FOR JPMORGAN MALAYSIA FUND	8,101,000	1.62
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN SOON LAI (MY0871)	7,405,000	1.48
10	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	6,025,000	1.21

ANALYSIS OF SHAREHOLDINGS (continued)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)

(According to the Register of Depositors as at 25 March 2016)

No.	Name of Shareholders	No. of Shares	%
11	CHEW AH CHAY	5,445,000	1.09
12	GOH CHUN HAU	4,625,000	0.93
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN BOON CHAI (MY1175)	4,500,000	0.90
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	4,300,000	0.86
15	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR OPTIMUS CAPITAL INTERNATIONAL LIMITED	4,000,000	0.80
16	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB THEMATIC GROWTH FUND	4,000,000	0.80
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM KAI SWEE (MY1585)	3,600,000	0.72
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KWEE SOW FUN (MY2268)	3,600,000	0.72
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	3,276,800	0.66
20	TAN AH SAN @ TAN AH SENG	3,050,000	0.61
21	ABDUL RASHID HUSSAIN	3,000,000	0.60
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB DYNAMIC FUND (200188)	2,888,800	0.58
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TEO POH BOON (PB)	2,571,200	0.51
24	DATO' SRI HJ. SYED ZAINAL ABIDIN B SYED MOHAMED TAHIR	2,430,769	0.49
25	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,100,000	0.42
26	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR DEUTSCHE BANK AG SINGAPORE (DBIL GSY NON-MY)	2,050,000	0.41
27	DING HUONG KAI	2,000,000	0.40
28	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF DANA ADIB	1,840,000	0.37
29	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HENG AI LI	1,824,600	0.36
30	TAN AH SAN @ TAN AH SENG	1,650,000	0.33

NOTICE OF FIFTH (5^{TH}) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth (5th) Annual General Meeting of Bioalpha Holdings Berhad ("Bioalpha" or "the Company") will be held at Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor, Malaysia on Tuesday, 31 May 2016, at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of RM158,200 for the financial year ended 31 December 2015. (Ordinary Resolution 1)

3. To approve the payment of Directors' fees of RM220,000 for the financial year ending 31 December 2016. (Ordinary Resolution 2)

4. To re-elect the following Directors who are retiring in accordance with Article 104 of the Company's Articles of Association:- (Ordinary Resolution 3) (Ordinary Resolution 4)

   i. Tan Sri Abdul Rahman Bin Mamat
   ii. Dato' Norhalim Bin Yunus

5. To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: (Ordinary Resolution 5)

   "That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim be re-appointed as Director to hold office until the conclusion of the next Annual General Meeting of the Company."

6. To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 6)

NOTICE OF FIFTH (5TH) ANNUAL GENERAL MEETING (continued)

AS SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass the following resolution:

   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 (Ordinary Resolution 7)

   "THAT pursuant to the Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company, as such time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being, and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. To transact any other business of which due notices shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

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

Kuala Lumpur
Date: 29 April 2016

NOTICE OF FIFTH (5^{TH}) ANNUAL GENERAL MEETING (continued)

Notes:-

1. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

2. Where a member of the Company is an exempt authorised nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.

5. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd, Share Registrar office of the Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 10.00 a.m., Sunday, 29 May 2016 or at any adjournment thereof.

6. For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 65 of the Company's Articles of Association and Rule 7.16(2) of the AMLR of Bursa Securities, a Record of Depositors ("ROD") as at 24 May 2016 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

Explanatory Notes to Ordinary and Special Business:-

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. As such, this item is not put forward for voting.

2. Special Business - Ordinary Resolution 7
Authority To Issue Shares Pursuant To Section 132D of the Companies Act, 1965

The Ordinary Resolution 7, if passed, is a renewal of general mandate to empower the Directors to issue and allot shares in the Company up to an amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This renewal of general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares of shares in the Company, for the purpose of funding future investment project(s) workings capital and/or acquisitions at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

As at the date of this Notice, the Company issued 18,867,924 new ordinary shares at an issue price of RM0.05 per share and 17,718,962 new ordinary shares at an issue price of RM0.33 per share by way of private placement ("Private Placement") pursuant to the General Mandate granted to the Directors at the Fourth (4th) Annual General Meeting held on 23 June 2015 and which will lapse at the conclusion of the Fifth (5th) Annual General Meeting.

STATEMENTS ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Fifth (5th) Annual General Meeting of the Company are:-

Tan Sri Abdul Rahman Bin Mamat	Article 104	Ordinary Resolution 2
Dato' Norhalim Bin Yunus	Article 104	Ordinary Resolution 3
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	Section 129 of the Companies Act, 1965	Ordinary Resolution 4

Details of the abovenamed Directors are set out on page 122 and their shareholdings in the Company are set out on page 123 of this Annual Report.

BIOALPHA HOLDINGS BERHAD
(949536-X)
(Incorporated in Malaysia)

PROXY FORM

I/We,____ NRIC No. ________________________________
(Full name in capital letters)
of ____
(Full address)
____

being a member(s) of **BIOALPHA HOLDINGS BERHAD** (Company No. 949536-X) hereby appoint ____________________
____ *(Full name in capital letters)*
of ____
(Full address)
or failing him, ______________________________ of ____

as my/our proxy to vote for me/us and on my/our behalf at the 5th Annual General Meeting of the Company to be held at Hotel Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor, Malaysia on Tuesday, 31 May 2016 at 10.00 a.m. for/against* the resolution(s) to be proposed thereat. The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

No.	Agenda	Resolution	FOR	AGAINST
1.	Approve Payment of Directors Fees of RM158,200 for financial year ended 31 December 2015	Ordinary Resolution 1		
2.	Approve Payment of Directors Fees of RM220,000 for financial year ending 31 December 2016	Ordinary Resolution 2		
3.	Re-election of Tan Sri Abdul Rahman Bin Mamat as Director	Ordinary Resolution 3		
4.	Re-election of Dato' Norhalim Bin Yunus as Director	Ordinary Resolution 4		
5.	Re-appointment of Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim as Director	Ordinary Resolution 5		
6.	Re-appointment of Auditors	Ordinary Resolution 6		
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	Ordinary Resolution 7		

Signed on this ____________ day of ______________ 2016.

Number of shares held:-	
CDS account no.:-	

____
Signature of Shareholder or Common Seal

* *Strike out whichever is not desired.*

Notes:-

A. This Agenda item is meant for discussion only as Section 169 (1) of the Companies Act, 1965 and the Company's Articles of Association provide that the audited financial statements are to be laid in the general meeting. Hence, it is not put forward for voting.

1. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

2. *Where a member of the Company is an exempt authorised nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *Where the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's Seal or under the hand of an officer or an attorney duly authorised.*

5. *The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn Bhd, Share Registrar office of the Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time set for holding the meeting, i.e. on or before 10.00 a.m., Sunday, 29 May 2016 or at any adjournment thereof.*

6. *For the purpose of determining a member who shall entitle to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 65(2), 65(3) & 65(4) of the Company's Articles of Association to issue a General Meeting Record of Depositors as at 24 May 2016. Only depositor whose name appears on the Record of Depositors as at 24 May 2016 shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.*

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AFFIX
STAMP

The Share Registrar:

BIOALPHA HOLDINGS BERHAD (949536-X)

c/o SYMPHONY SHARE REGISTRARS SDN BHD (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Please fold here


apotec
Apple Cider Vinegar
with Honey
Chlorophyll
Cordy
Wolfberry Plus
PRIMA
TONGKAT ALI
Spirulina
Collagen
5500
nushine
OmegaMax
ANTI•AGEING
TURNING BACK YOUR BIO-LOGICAL CLOCK
Collagen Drink