BIO alpha
Health Through Biotech

**BIOALPHA HOLDINGS BERHAD**
Registration No. 201101021398 (949536-X)
(Incorporated in Malaysia under the Companies Act, 1965)










# Annual Report 2019

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# ABOUT BIOALPHA



Bioalpha Holdings Berhad ("Bioalpha" or "the Company") is an investment holding company with its subsidiaries ("the Group") principally involved in manufacturing and sale of health supplement products. Founded in 2005, Bioalpha has grown to become an integrated health supplement company with businesses comprising all segments of the supply chain, including the cultivation of herbal plants as a source of raw materials for the in-house production of its products, research and development ("R&D"), manufacturing, distribution and operating a retail pharmacy chain under the brand "Constant". The Group's health supplement products are manufactured and sold under original design manufacturing ("ODM") basis to its clients as well as under its own proprietary house brands. All of Bioalpha's health supplement products are Halal-certified and are sold in Malaysia with Indonesia and China as main export markets.

# ABOUT BIOALPHA
CONT'D




## VISION

As a regional health supplement group to improve the total well-being of people through innovative culture, and the adoption of technology and best practices in research, products and human capital development.

## MISSION

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

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

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

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

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

### Distribution & Retail
To develop our competency in health supplements retail via strategic partnerships and investments. To engage with customers through various channels.

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

### Customers
To address our customers' needs by being proactive, innovative and exceeding all 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 processes.

### R&D
To continuously improve our 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.

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

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

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

# BIOALPHA'S CORE VALUES

**BIOALPHA'S CORE VALUES**

## iACT

### INNOVATION
Think ahead and offer new ideas.

### ACCOUNTABILITY
Ownership towards our task and ensuring the best results for ourselves and others

### CUSTOMER FOCUS
Deliver products & services with benefits to customers for maximal satisfaction.

### TEAMWORK
Inter-department working relationship to be smooth in order to achieve the target. Communication is essential to our organization.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Abdul Rahman Bin Mamat**
*Independent Non-Executive Chairman*

**Hon Tian Kok @ William**
*Managing Director/ Chief Executive Officer*

**Ho Tze Hiung**
*Executive Director*

**Goh Siow Cheng**
*Group Chief Financial Officer/Finance Director*

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

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

**Mohd Nasir Bin Abdullah**
*Independent Non-Executive Director*

**Kang Jimmi**
*Independent Non-Executive Director*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)
Dato' Norhalim Bin Yunus
Kang Jimmi

## RISK MANAGEMENT COMMITTEE

Kang Jimmi (Chairman)
Mohd Nasir Bin Abdullah
Ho Tze Hiung

## NOMINATION COMMITTEE

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

## SHARE ISSUANCE SCHEME ("SIS") OPTION COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)
Hon Tian Kok @ William
Ho Tze Hiung
Goh Siow Cheng

## COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)
(PC No. 201908002253)
Thien Lee Mee (LS0009760)
(PC No. 201908002254)

## REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur
Wilayah Persekutuan
Tel. No. : (603) 2298 0263
Fax. No. : (603) 2298 0268

## PRINCIPAL BANKER

OCBC Bank (Malaysia) Berhad
Menara OCBC,
18 Jalan Tun Perak,
50050 Kuala Lumpur
Tel No. : (603) 2034 5251
Fax No. : (603) 2698 4363

## HEAD OFFICE

No. 1, Jalan Perindustrian Suntrack,
Hub Perindustrian Suntrack,
Off Jalan P1A, Seksyen 13
Bandar Baru Bangi, 43000 Kajang
Selangor Darul Ehsan, Malaysia
Tel. No. : (603) 8922 2286
Fax. No. : (603) 8922 2287
Email : info@bioa.com.my
Website : www.bioa.com.my

## AUDITORS

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

## SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor
Tel. No. : (603) 7890 4700
Fax. No. : (603) 7890 4670

## STOCK EXCHANGE LISTING

**Ordinary Shares**
ACE Market of Bursa Malaysia Securities Berhad
Stock Name: BIOHLDG
Stock Code: 0179

**Warrants**
ACE Market of Bursa Malaysia Securities Berhad
Stock Name: BIOHLDG-WA
Stock Code: 0179WA

# CORPORATE STRUCTURE

BIO alpha
Health Through Biotech

- 100% BIOALPHA (HK) LIMITED (2583717)
- 100% BIOALPHA R&D SDN BHD [200801016559 (817850-K)]
- 100% BIOALPHA WELLNESS SDN BHD [201901007490 (1316817-H)]
- 100% BIOALPHA INTERNATIONAL SDN BHD [200501033016 (715156-K)]
  - 100% BIOALPHA EAST COAST AGRO SDN BHD [201401002307 (1078381-D)]
  - 72% BIOALPHA AGRO SDN BHD [201001021770 (905540-W)]
  - 70% BIOALPHA (JOHOR HERBAL) SDN BHD [201001036145 (920069-K)]
  - 60% PT HERBAL MALINDO MAKMUR (9120002590117)
- 100% BOTANICAL DISTRIBUTION SDN BHD 200801024396 (825720-T)]
  - 100% MEDICONSTANT HOLDING SDN BHD [200201018975 (586638-X)]
    - 100% MEDICONSTANT PHARMACY SDN BHD [199901001505 (476405-V)]
    - 100% MEDICONSTANT PHARMACY (AMPANG) SDN BHD [200301014059 (616479-K)]
    - 100% MEDICONSTANT MANAGEMENT SDN BHD [200201033987 (601652-M)]
    - 100% MEDICONSTANT PHARMACY (DESA TASIK) SDN BHD [199901011815 (486715-H)]
    - 100% MEDICONSTANT DYNAMIC SDN. BHD. [200401005665 (644168-U)]
    - 100% MEDICONSTANT PHARMACY (KLANG) SDN. BHD. [200301016045 (618465-P)]
    - 100% MEDICONSTANT PHARMACY (PUCHONG) SDN. BHD. [200301016290 (618710-A)]
    - 100% MEDICONSTANT PHARMACY (SEA PARK) SDN. BHD. [200201020530 (588193-T)]
    - 100% MEDICONSTANT PHARMACY (SETAPAK) SDN. BHD. [200201034027 (601692-U)]
    - 100% MEDICONSTANT PHARMACY (TAMAN DESA) SDN. BHD. [200201031341 (599004-W)]
    - 100% MEDICONSTANT PHARMACY (TTDI) SDN. BHD. [200001022829 (525437-K)]
  - 85% ALPHACARE SDN BHD [201101034698 (962831-A)]

# FINANCIAL HIGHLIGHTS

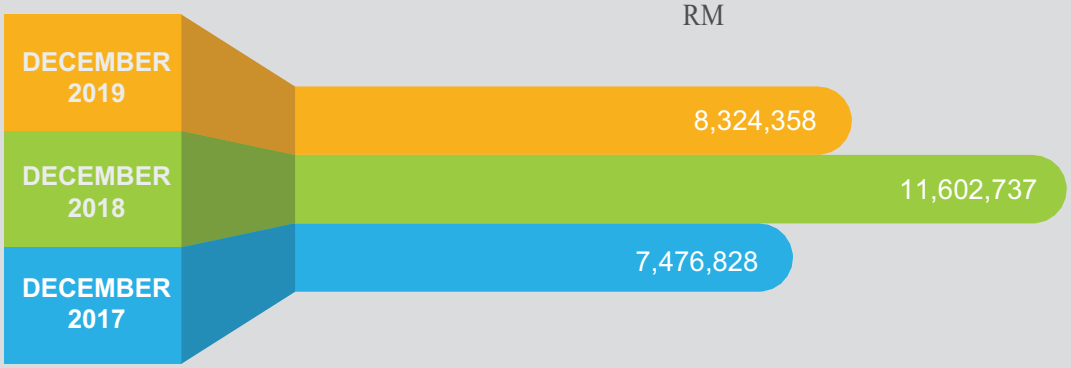
| | For Financial Year Ended 31/12/19 RM | For Financial Year Ended 31/12/18 RM | For Financial Year Ended 31/12/17 RM |
|---|---|---|---|
| **Financial Results** | | | |
| Revenue | 63,667,826 | 70,090,353 | 55,917,339 |
| EBITDA | 22,348,232 | 23,539,472 | 16,122,632 |
| Profit before taxation | 10,521,115 | 14,692,593 | 9,374,724 |
| Profit after taxation | 8,324,358 | 11,602,737 | 7,476,828 |
| Net dividend | - | 891,000 | 809,250 |
| Net profit attributable to: | | | |
| Owners of the parent | 8,315,531 | 11,585,845 | 7,864,983 |
| Non-controlling interests | 8,827 | 16,892 | (388,155) |
| **Financial Position** | | | |
| **Assets** | | | |
| Property, plant and equipment | 48,641,681 | 47,568,284 | 37,238,407 |
| Goodwill on consolidation | 5,891,157 | 5,841,157 | 5,334,030 |
| Right-of-use assets | 13,377,407 | - | - |
| Intangible assets | 865,448 | - | - |
| Development expenditures | 43,673,202 | 35,577,519 | 30,532,011 |
| Biological assets | 582,433 | 643,350 | 189,253 |
| Current assets | 80,824,471 | 89,317,349 | 80,524,190 |
| Total assets | 193,855,799 | 178,947,659 | 153,817,891 |
| **Equity** | | | |
| Share capital | 99,763,799 | 99,763,799 | 87,453,673 |
| Reserves | 65,783,181 | 57,856,783 | 47,981,991 |
| Total equity attributable to owners of the company | 165,546,980 | 157,620,582 | 135,435,664 |
| **Non-controlling interests** | (283,393) | (303,113) | (803,158) |
| **Liabilities** | | | |
| Deferred tax liabilities | 8,107,680 | 6,481,014 | 4,057,259 |
| Lease liabilities | 5,176,844 | - | - |
| Finance lease liabilities | - | 573,874 | 647,361 |
| Bank borrowings | 4,185,815 | 5,576,169 | 3,139,876 |
| Current liabilities | 11,121,873 | 8,999,133 | 11,340,889 |
| Total equity and liabilities | 193,855,799 | 178,947,659 | 153,817,891 |
| **Weighted average no. of ordinary shares** | **859,783,259** | **819,485,441** | **803,636,734** |
| **Financial Indicators** | | | |
| Earnings per share (sen) | **0.97** | **1.41** | **0.98** |
| Net dividend per share (sen) | - | **0.11** | **0.10** |
| Net assets per share (RM) | **0.23** | **0.19** | **0.17** |
| Return on equity (%) | **5.03** | **7.38** | **5.57** |
| Share price as at financial year end (RM) | **0.185** | **0.209** | **0.248** |

# FINANCIAL HIGHLIGHTS
CONT'D

## REVENUE
RM




## PROFIT AFTER TAXATION
RM



# PROFILES OF DIRECTORS



## TAN SRI ABDUL RAHMAN BIN MAMAT

*68 Years*

*Malaysian, Male*

*Independent Non-Executive Chairman*

Tan Sri Abdul Rahman Bin Mamat, was appointed to our Board of Directors ("Board") on 3 January 2012. He graduated with a Bachelor of Economics (Honours) from University Malaya in 1975 and has obtained an Advanced Management Programme qualification from Harvard Business School, Boston, USA in 2004.

He joined MITI as Assistant Director in April 1975 and served in various capacities in MITI for 35 years before retiring in December 2010 which included (a) Deputy Trade Commissioner, Malaysian Trade Office, New York, the USA; (b) Director of Trade, Malaysian Trade Centre, Taipei, Taiwan; (c) Economic Counsellor / Trade Commissioner and Deputy Permanent Representative to the United Nations Economic and Social Commission, Malaysian Trade Office, Bangkok, Thailand; (d) Special Assistant to the Minister of MITI, Tan Sri Rafidah Aziz; (e) Board of Director, Malaysian Industry-Government Group for High Technology (MIGHT); (f) Director of Industries; (g) Senior Director, Policy and Industry, Services Division; (h) Chairman of Malaysia External Trade Development Corporation ("MATRADE"); (i) Deputy Secretary-General (Industry); and (j) Secretary General of MITI.

During his tenure in MITI, he also served as MITI's representative on the board of various government-linked companies and corporations including Malaysian Investment Development Authority (MIDA), Johor Corporation, Regional Economic Development Authority (RECODA), Sarawak and Small and Medium Corporation Malaysia, Pahang State Economic Development Corporation, Malaysian Technology Development Corporation and MATRADE.

He had represented Malaysia in numerous international meetings, negotiations, conferences and symposiums and had involved in formulating, implementing and monitoring policies and strategies on international trade and industries as well as entrepreneurship development.

He was an honorary member of the ASEAN Federation of Engineering Organisations, a Malaysian Leader for the High Level Task Force on ASEAN Economic Integration and is the Chairman of the Advisory Board of the International Council for SME & Entrepreneurship Malaysia, and Board of Trustee of Enactus Malaysia Foundation, a non-profit organisation aimed at grooming university students into future business leaders.

He sits on boards of directors of several public listed companies in Malaysia including Hiap Teck Venture Berhad, Malaysian Industrial Development Finance Berhad, Dagang NeXchange Berhad, Lotte Chemical Titan Holding Berhad and MCE Holding Berhad as well as several private limited companies in Malaysia which are involved in finance, manufacturing, retail and services sectors covering global logistics, healthcare and oil, gas and energy.

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF DIRECTORS
CONT'D



## HON TIAN KOK @ WILLIAM

*44 Years*

*Malaysian, Male*

*Managing Director / Chief Executive Officer*

*Member of SIS Option Committee*

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 Bialpha International Sdn. Bhd. ("BISB") in 2005.

He has no family relationship with any Director and/ or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF DIRECTORS
CONT'D



## HO TZE HIUNG

*43 Years*

*Malaysian, Male*

*Executive Director*

*Member of Risk Management Committee and SIS Option Committee*

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 sales and marketing division.

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, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF DIRECTORS
CONT'D



## DATO' NORHALIM BIN YUNUS

*57 Years*

*Malaysian, Male*

*Non-Independent Non-Executive Director*

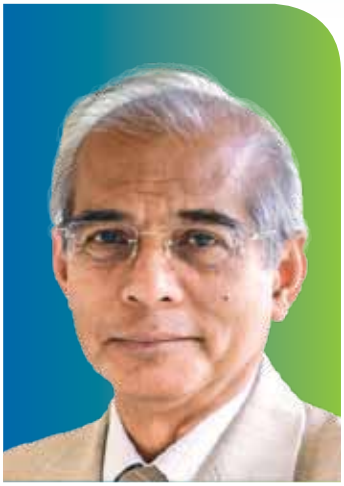
*Member of Remuneration Committee*

Dato' Norhalim Bin Yunus was appointed to our Board on 30 June 2011. He graduated 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, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF DIRECTORS
CONT'D



## TAN SRI DATO' DR. SYED JALALUDIN BIN SYED SALIM

*76 Years*

*Malaysian, Male*

*Independent Non-Executive Director*

*Chairman of Remuneration Committee, Nomination Committee and SIS Option Committee*

*Member of Audit Committee*

Academician Emeritus Professor Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim was appointed to our Board on 8 July 2014. He graduated with a Bachelor's of Veterinary Science from the University of Punjab in 1967, followed by a Master of Philosophy and a Doctor of Philosophy (PhD) from the University of London, United Kingdom in 1969 and 1977 respectively. He was also conferred seven (7) honorary degrees, namely Doctor of Science from University of Hull in 1999, Doctor, 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, Doctor of Engineering from Universiti Malaysia Perlis in 2008, Doctor of Veterinary Medicine University of Malaysia Kelantan in 2015 and Doctor of Arts, Eastern Asia University in 2020.

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. Academician Syed Jalaludin has also been conferred Emeritus Professorship by Universiti Terengganu Malaysia and UPM. He is still active in the academic sector as Pro Chancellor of the Board of Directors of UPM and Chairman of Asia eUniversity. In addition, he is the Chairman of Board of Governors of University College Fairview and he is also the Chancellor of Taylor's University. He is a member of the Executive Committee and Governing Board of the International Centre for Education in Islamic Finance ("INCEIF"). He is also an Independent Non-Executive Chairman of SL Innovation Capital Berhad (formerly known as SL Information Berhad). Finally, he is the Chairman of Segimaju Group of Companies.

He has no family relationship with any Director and/ or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF DIRECTORS
CONT'D



## MOHD NASIR BIN ABDULLAH

*54 Years*

*Malaysian, Male*

*Independent Non-Executive Director*

*Chairman of Audit Committee*

*Member of Risk Management Committee and Nomination Committee*

En. Mohd Nasir Bin Abdullah was appointed to our Board on 12 February 2015. He is also the Chairman of the Audit Committee of the Company. En. Mohd Nasir obtained his Diploma in Accountancy from Universiti Teknologi MARA in 1989 and subsequently graduated with a Bachelor of Accountancy (Hons) from the same university in 1996. He is a member of the Malaysian Institute of Accountants since 1996 and the Malaysian Association of Tax Accountants since 2012. He holds licensed tax agent from Ministry of Finance since 2017. 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, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF DIRECTORS
CONT'D



## KANG JIMMI

*40 Years*

*Indonesian, Male*

*Independent Non-Executive Director*

*Chairman of Risk Management Committee*

*Member of Audit Committee, Nomination Committee and Remuneration Committee*

Mr Kang Jimmi was appointed to our Board as Independent Non-Executive Director on 22 May 2020. He graduated with Bachelor of Science from Binus University, Jakarta.

Currently, Mr Kang Jimmi as a founder and leading one of Public Company listed in Indonesia Stock Exchange. He leads for operation and maintenance for Powerplant Company with total capacity 42 MW including Diesel Powerplant and Minihydro Powerplant. He has an experiences as a leader for a new IPP Development Process, leading for cross-functional management and hundreds of employee, knowing deeply for utility power plant infrastructure system and mechanical and performing good financial evaluation as a company results. His background focus established strategic partnership with others party and/or company.

He has no family relationship with any Director and/ or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019, in view that he was appointed as Independent Non-Executive Director on 22 May 2020.



## GOH SIOW CHENG

*38 Years*

*Malaysian, Female*

*Group Chief Financial Officer/ Finance Director*

*Member of SIS Option Committee*

Ms Goh Siow Cheng was appointed to our Board as Executive Director on 6 March 2020. Ms Goh is the Group Chief Financial Officer of Bioalpha and has been working with the Group since 2014.

She graduated with Bachelor of Business (Accounting & Finance) from University of Technology Sydney, Australia and a member of CPA Australia.

She is one of the key senior staff who is involved in the listing exercise of the Group. She has responsibly and effectively led her team to take on various corporate exercises, investment and acquisition projects for the Group.

Ms Goh has more than 10 years of experience in audit and assurance from a large international accounting firm where she was involved in audits for both private limited companies and public listed companies across various industries, including manufacturing, trading, property development, information technology and plantation.

She has no family relationship with any Director and/ or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. She has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019, in view that she was appointed as Group Chief Financial Officer/ Finance Director on 6 March 2020.

# My **Yumminutricious Chocoactiv!**

**Suitable for whole family**

**Strengthen Immune Health**

**Rich in delicious Chocolate**

Daily **Nutritious Drink**




**Contain:**
- Multi-vitamin
- Minerals
- Prebiotics
- Wellmune® Yeast beta-glucan

## MY IMMUNE BUDDY

# PROFILES OF KEY SENIOR MANAGEMENT

## LOW CHEN KONG

*47 Years*
*Malaysian, Male*
*Group General Manager*

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

He began his career with Siemens Telecommunication System Ltd, in Taipei, Taiwan as a Technical Project Consultant (Pre-Sales) from April 2000 to January 2003. He joined Comverse Network System Asia Pacific, Taipei, Taiwan as an Account Manager in January 2003 and subsequently left to join Motorola Corporation, Taipei, Taiwan as a Product Marketing Manager in 2004. He was promoted to be the Regional Product Management Manager in year 2008. In 1 November 2016, he joined Bioalpha Holdings Berhad as a Group General Manager.

Mr. Low has strong technical background in embedded and telecommunications with proven track record of consistently exceeding company goals through strategic planning, business development, and project execution. He is also a business-savvy leader accomplished at reconciling tactical considerations with strategic goals.

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

## SALLY CHUAH SZE YEE

*39 Years*
*Malaysian, Female*
*Chief Executive Officer of Pharmacy Division*

Sally holds a degree in Master of Pharmacy ("mPharm") from University of Strathclyde UK (August 2002). She began her career with Subang Jaya Medical Centre ("SJMC") upon completing graduate school. Two years later, she shifted for a career change to Mediconstant Pharmacy as a Pharmacist in April and just a year later in 2005, she was quick to be promoted as a Branch Manager.

From 2006 to 2017, she was assigned as the Company's Affiliate Training Manager and consequently held for another promotion to Senior Operation Manager in 2018. Just a year later, she was entrusted as the Chief Operation Officer of Mediconstant Holding Sdn. Bhd.

On 1 February 2020, Sally's credibility is once again acknowledged with another promotion as Chief Executive Officer of Mediconstant. She brings the company to greater heights and ensures profitability for all stakeholders. In addition to that, she is also responsible for overseeing the retail and pharmacy of Mediconstant.

Sally is an all-rounder CEO. She holds an active membership at the Malaysian Pharmaceutical Society ("MPS"), Chairperson of Malaysia Community Pharmacy Guild (MCPG) – KL & Selangor, and a HRDF certified trainer. To date, Sally has been dedicated with Mediconstant Holding Sdn. Bhd for 15 years.

She has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. She has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF KEY SENIOR MANAGEMENT
CONT'D

## SHAHRIZAL BIN SHARUDIN

*41 Years*
*Malaysian, Male*
*Regulatory Compliance Manager*

Encik Shahrizal Bin Sharuddin is our Regulatory Compliance Manager. He is responsible for the factory certifications and accreditations, and responsible for ensuring a company's policies and procedures comply with the regulatory requirements.

He graduated with a Bachelor of Science in Chemistry from UPM in 2001 and became a Registered Chemist with Malaysian Institute of Chemistry ("IKM") since 2010. Encik Shahrizal Sharuddin began his career in Pharmaniaga Berhad as a Junior Chemist in 2002. He later left to join Innovax Sdn Bhd as a Senior Chemist in 2006. He joined our Company in 2012 as a Senior Chemist, and was promoted to Quality Assurance Manager in 1 January 2017. Over the years, he has garnered more than fifteen (15) years of experience in Research & Development and Quality Management.

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

## MAPLE HOW WAI CHENG

*45 Years*
*Malaysian, Female*
*Group Human Resources & Admin*

Ms. Maple How Wai Cheng is responsible for all aspects of human resource related functions which includes manpower planning and recruitment, establishment and uphold of human resource policies, compliance with employee labour laws, staff discipline, staff welfare, staff development and training, employee relations and industry relations. She graduated with a Bachelor in Business Administration (Hons) from University of Wolverhampton, United Kingdom in 1997. Maple How Wai Cheng began her career with S & P Food Industries (M) Bhd as an Administrative & Account Assistant from July 1997. In March 2006, she started working in Healthcare company DBC Spine & Rehabilitation Centre for a period of 2 years.

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

She has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. She has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# PROFILES OF KEY SENIOR MANAGEMENT
CONT'D

## BAIDYANATH MAHANTA

*39 years*

*Indian, Male*

*Research & Development Manager*

Mr Baidyanath Mahanta is responsible for overseeing the business operations of Research and Development (R&D) in Bioalpha International Sdn Bhd. He graduated with a Master in Pharmacy from Annamalai University in 2008.

He began his career as a Research Officer for Formulation and Development in Sun Advanced Research Company Ltd from 2008 to 2012. He joined Macleods Pharmaceuticals Ltd. and Wockhardt Research Centre as a Research Scientist for Formulation and Development from September 2012 to May 2015 and June 2015 to June 2017 respectively. In June 2017 till 2019, he was employed as the Senior Manager for Formulation & Development in Lyrus Life Sciences Pvt. Ltd. He joined Bioalpha International Sdn Bhd as Research and Development Manager in 2019.

He has no family relationship with any Director and/or major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, and does not have any conflict of interest with the Company. He has never been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2019.

# Your **Health** We **Care**

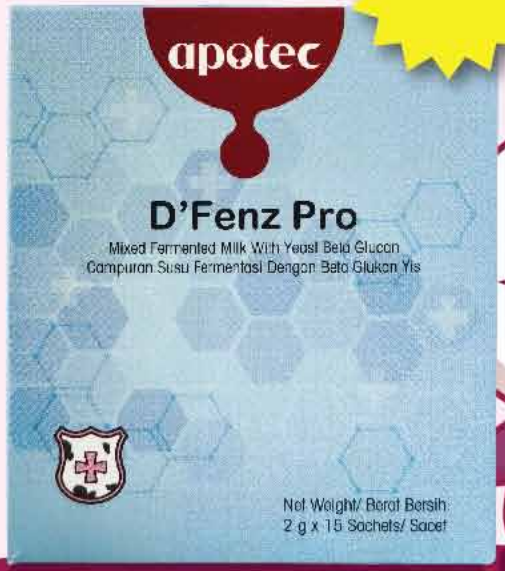
**Strengthen Immune Health**

**Suitable for whole family**

**Natural & Safe**

Made from **100% Patented BETA GLUCAN**

NEW




**Contains Prebiotic**

## MY IMMUNE BUDDY

# CHAIRMAN'S STATEMENT



***Dear Valued Shareholders, On behalf of the Board of Directors ("Board") of Bioalpha Holdings Berhad ("Bioalpha" or "the Group"), I am pleased to present to you the Annual Report and Audited Financial Statements of Bioalpha for the financial year ended 31 December 2019 ("FY2019").***

Founded in 2005, Bioalpha has grown to become an integrated nutraceutical and health supplement company involved in the entire spectrum of the supply chain, including the upstream cultivation of herbal plants for raw materials, research & development ("R&D"), manufacturing and distribution of health supplement products, as well as operating a downstream retail pharmacy chain, Constant Pharmacy.

In FY2019, Bioalpha remained resilient in delivering value to our clients and stakeholders, amid a challenging operating environment. Global economic growth remained sluggish at 2.9% in 2019, with escalation of trade disputes between the United States ("US") and China further impacting business and consumer sentiments. On the home front, Malaysia's economy expanded 4.3% in 2019, representing the slowest pace since the global financial crisis in 2009.

Against this backdrop, Bioalpha generated positive financial results with a net profit of RM8.3 million in FY2019, on the back of RM63.7 million in revenue. During the year, we continued to drive our strategic initiatives with a focus on the fundamentals by expanding our product portfolio and reach, while enhancing cost and production efficiencies within the Group.

## MARKET OUTLOOK

The domestic health supplement industry is projected to grow moving forward as more Malaysians proactively seek to improve general wellbeing amid their fast-paced modern lifestyles[1]. According to a report by the Malaysian Dietary Supplement Association ("MADSA"), less than 30% of Malaysians consume dietary supplements, compared to higher consumption rates in countries such as South Korea, Taiwan and Australia. This presents great prospects for health supplement brands to capture the growth potential in Malaysia. Health products addressing areas such as immunity, digestive and mental issues are anticipated to gain traction, due to busier lifestyles and irregular eating patterns. Demand for healthy ageing supplements are also forecasted to rise in line with the growing ageing population in Malaysia.

The trend now is further accelerated with the recent outbreak of the Novel Coronavirus ("Covid-19"). In particular, demand for products that boost immunity is on the rise as consumers seek to strengthen their immune system to protect against the virus. Meanwhile, the Movement Control Order ("MCO") put in place to control the spread of Covid-19 has helped fast-track the adoption of e-commerce utilisation and presents an opportunity for health supplement players to enhance their presence in the nutraceutical market.

On the macro level, however, the Covid-19 pandemic has regrettably led to short-term disruptions in global supply chains and major industries worldwide. Governments across countries are taking the necessary but painful steps to minimise human and economic impacts by implementing unprecedented strict containment measures to curb the spread of virus, while unleashing various fiscal stimulus packages to support the economies.

[1] *Consumer Health in Malaysia report by Euromonitor*

# CHAIRMAN'S STATEMENT
CONT'D

In Malaysia, Bank Negara Malaysia ("BNM") in its recent Economic Monetary Review 2019 report has forecasted between a contraction of -2.0% and a growth of 0.5% for Malaysia's economy in 2020, primarily attributed to the weakened global growth prospects following the Covid-19 outbreak. The domestic economy is expected to be impacted by suspension of operations by non-essential services during the period, lower operating capacity of manufacturing firms, as well as slower consumption activity.

Outside Malaysia, the Covid-19 pandemic is also taking a toll on the economic growth of our key export countries. World Bank projects Gross Domestic Product ("GDP") in Indonesia to grow merely by 2.1%[2] in 2020, as Covid-19 crimps private spending as well as trade activities.

Nevertheless, Ken Research has projected a 7.0% expansion over the forecasted period of 2018 – 2023 for the health supplement market in Indonesia, on the back of various factors such as a shift in diet and physical activity patterns, as well as a rise in ageing population, to name a few. According to the report, the nutraceutical market can be further expanded with more promotional efforts on functional foods and its health benefits.

Similarly in China, its GDP is expected to only expand by 2.3%[2] in 2020, down from 6.1% in 2019, affected by the disruptions in economic activities. Notwithstanding that, the health supplement market in the country is forecasted to reach USD40 billion by 2023 driven by an increasing trend in lifestyle change and growth in e-commerce usage, according to a study by global consulting firm, Roland Berger.

## FORGING AHEAD

Moving forward, the Group shall continue with endeavours to build a robust foundation to weather these temporary headwinds. As the Covid-19 pandemic is still evolving, we remain vigilant in monitoring closely the developments to ascertain the magnitude of the impact from the outbreak and are taking proactive measures to properly manage any arising situations.

For our manufacturing business, we are focused on building a solid product pipeline to accommodate the demands of our domestic and export markets, while securing new customers. We plan on launching new health supplement offerings in high demand areas related to immunity, obesity-care, anti-ageing and antioxidant, to name a few. For our export markets, namely China and Indonesia, efforts are put in place to grow the Group's presence there. We expect demand for health supplement products to increase in the second half of 2020 as healthcare awareness improves following the Covid-19 pandemic.

Meanwhile, our retail pharmacy business has been growing steadily with higher demand seen at our Constant outlets. Being in this highly competitive industry, our strategy is to maximise the value we deliver by offering enhanced services at our pharmacies, while building close relationship with customers in the local community. We also plan to expand our house brand offerings to include more immunity-related products to cater to growing interest in this area.

On the Group's agriculture segment, we remain steadfast in developing our herbal parks and increasing our planted acreage. We look forward to a larger harvest volume in 2020 as more plants reach maturity, in addition to cultivating more high-yielding crops.



*Bioalpha house brand products*

# CHAIRMAN'S STATEMENT
CONT'D

Going forward, we foresee the operating landscape to remain challenging for the financial year ended 31 December 2020 ("FY2020"). Nonetheless, we are still positive on the outlook of the health supplement industry and believe that we are on the right footing to achieve long-term sustained growth. We will continue to channel our energy into strengthening our fundamentals as we take Bioalpha to greater heights.

## APPRECIATION

My deepest appreciation goes to my fellow Board members, management team and employees of Bioalpha for their hard work and continuous dedication towards realising the Group's goals.

On behalf of the Board, I would like to warmly welcome our new Board members, Ms. Goh Siow Cheng who was appointed as an Executive Director on 6 March 2020 and Mr. Kang Jimmi who was appointed as an Independent Non-Executive Director on 22 May 2020.

I would also like to take this opportunity to thank all our stakeholders, including our shareholders, clients, suppliers, bankers, regulators and Government agencies, namely Perbadanan Nasional Berhad ("PNS"), Malaysian Technology Development Corporation ("MTDC"), Ministry of Agriculture and Food Industries ("MOFI"), East Coast Economic Region Development Council ("ECERDC") and Johor Biotechnology & Biodiversity Corporation ("J-Biotech") for their unwavering support and confidence in Bioalpha.

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

# My Healthy Day Begins With C-Boost

**Natural Bioflavonoids**
**1000mg Vit C**

**Delicious Orange Taste**

**NEW**

Sachet Pack
**(Suitable for on-the-go)**




- High in **Vitamin C**
- **Fast Absorption for body**
- **Sugar Free**
- **No preservative added**
- Orange powder origin from Europe
- Best for on-the-go user

## MY IMMUNE BUDDY

# MANAGEMENT DISCUSSION AND ANALYSIS



***Dear Valued Shareholders,***
***As the Managing Director/ Chief Executive Officer, I am once again, pleased to present to you the review of financial and operational performance of Bioalpha Holdings Berhad ("Bioalpha" or "the Group") for the financial year ended 31 December 2019 ("FY2019").***

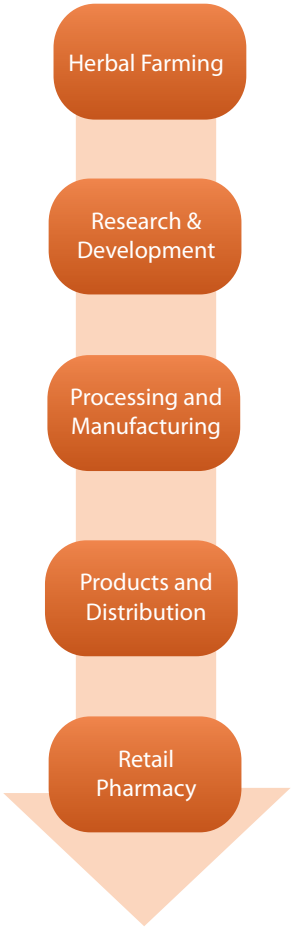
## KEY BUSINESS HIGHLIGHTS

FY2019 proved to be a demanding year for Bioalpha as we faced growing uncertainties arising from various developments on domestic and international fronts. However, within the context of a challenging operating backdrop, we have performed relatively well and continued to make progress in our strategic initiatives towards the Group's sustained growth.

Being an integrated health supplement company, Bioalpha's business activities cover the entire value chain spectrum, from the cultivation of herbal raw materials, to research and development ("R&D"), processing and manufacturing, distribution and operating a chain of retail pharmacies, Constant Pharmacy.

### Herbal Farming

We are involved in upstream herbal farming activities, giving us continuous supply of raw materials for in-house production of the Group's herbal-based health supplements products. Besides that, it also ensures the quality of the product is preserved by utilizing proper planting standard operating procedure ("SOP") which includes types of fertilizers used, harvesting methods and adhering to strict no pesticide usage as all chemicals will be substituted with organic alternatives. Furthermore, the suitable species of herbs are planted to ensure that the amount and type of active compound within each product are guaranteed. Our planting activities are carried out within two of the largest herbal farms in the respective states, located in Pasir Raja, Terengganu and Desaru, Johor, with a combined total acreage of 1,303 acres.




*Bioalpha's integrated operations*

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D



*Pasir Raja Herbal Park*



*Desaru Herbal Park*

We endeavour to become fully self-sufficient in terms of herbal-based raw materials. This enables us to have better control over the quality of the output, in addition to expanding our profit margins.

At our herbal parks, over 20 different types of raw herbs and spices are cultivated, including *Tongkat Ali, Kacip Fatimah, Misai Kucing, Hempedu Bumi, Roselle, Dukung Anak, Pecah Beling,* lemongrass, ginger, and black pepper, to name a few.

During the year, we carried on our intercropping efforts by adding more high-yield crops. Over 3,000 coconut trees were planted within Desaru Herbal Park with ongoing harvesting efforts since last year. At the same time, we have started to harvest high value medicinal plants, such as *Misai Kucing* and soursop leaves.

*Misai Kucing* leaves are proven to promote various health benefits including good kidney function as it works as a diuretic, removal of kidney stones, in addition to alleviating conditions such as gout and high blood pressure. At the moment, we believe that Bioalpha is one of the leading producers of processed *Misai Kucing* leaves in Malaysia.

Soursop is another plant of high medicinal value according to various medical research, with its leaves full of anti-oxidants, easing blood pressure and sugar levels, as well as boosting immunity.



*Misai Kucing*



*Soursop*

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

## Promoting Sustainable Practices

We adopt principles of sustainability in our planting operations. In line with this, both our herbal parks are accredited with the Malaysian Good Agriculture Practices ("MyGAP") certification issued by the Ministry of Agriculture and Food Industries ("MOFI"). MyGAP requires good practices of agriculture with emphasis on the environment, economic and social aspects, to ensure the produce is safe for consumption and of high-quality. Organic farming methods are implemented at our parks as we use organic fertilizers in an effort to mitigate the impact of our operations to the environment.

Meanwhile, we intend to empower the surrounding communities by creating job opportunities through management of our plantations. We also enter into contract farming agreements with local farmers, where we purchase their produce at market prices. We provide seedlings and equip them with latest technical farming technique and know-how as they undertake the planting of the herbs.



*Natural drying house*

## Research & Development

As a health supplement Group, R&D is the growth engine and innovation driver at Bioalpha. The Group's competitiveness depends on the ability to create new formulations for health supplement products according to our customers' specifications. To date, our in-house R&D team has developed more than 300 proprietary formulations, and we target to produce 30 new formulations per annum.



During the year under review, we are pleased to share that our wholly-owned subsidiary, Bioalpha (HK) Limited ("Bioalpha HK"), had received approval for a grant under the Innovation and Technology Fund from the Hong Kong Government for the development of next-generation and anti-inflammatory and antitussive herbal products in Hong Kong.

Through the grant, Bioalpha jointly undertakes a collaborative research with the renowned public research university in Hong Kong, the Hong Kong University of Science and Technology ("HKUST"), to identify two formulations with optimal combinations of herbs for the treatment of inflammatory and respiratory problems, such as asthma and rheumatoid arthritis. We are confident that the result of our collaborative R&D efforts will contribute towards developing a product that will help maintain and improve the respiratory health of consumers, which is expected to be in high demand in the near future following the outbreak of the Novel Coronavirus ("Covid-19") worldwide. We plan to develop herbal health supplement products targeting these related diseases based on the generated formulations from the study.

As for our botanical drugs development, we are currently in the midst of obtaining the necessary approvals to conduct clinical trials, following the successful completion of pre-clinical studies of said drugs performed in Malaysia, Taiwan and India. To recap, Bioalpha is focused on the advancement of botanical drugs for treatment of diabetes type 2 and Hormone Replacement Therapy for menopausal syndrome management.

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

## Processing & Manufacturing

Our manufacturing operations are carried out at our main manufacturing facility in Bangi, Selangor, which is certified with Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP"). In FY2019, we had successfully expanded our production capacity to cater for incoming demand following the relocation of our administrative office to a new building nearby.

Additionally, the upgrading of our machineries were also completed as we implemented more automation in our processes.

Apart from our main facility in Bangi, we also operate a Collection, Processing & Packaging Centre ("CPPC") at our herbal park in Pasir Raja and a primary processing plant in Desaru. We are pleased to update that the upgrading of the CPPC in Pasir Raja has been completed in FY2019 as we anticipate the increase in herbal harvesting tonnage volume.



*Bioalpha's new headquarters in Bangi*

In Indonesia, we manufacture products in a contract manufacturing plant located in Kampar, Riau. Last year, we have received the license from relevant regulatory authorities for several health supplement products and are looking forward to roll out more offerings in the near future.

## House Brand and ODM Products

We produce and sell a wide array of both herbal and non-herbal based health supplement products. The Group's health supplement products are sold under Original Design Manufacturing ("ODM") basis to our customers, as well as under our proprietary house brands, Apotec and Nushine.

On the domestic front, we saw a slowdown in demand in FY2019 as businesses were more cautious with their spending due to the uncertain economic environment. Nonetheless, we continued to work towards broadening our customer base while serving our existing ODM clientele. At the same time, we also refreshed our house brand offerings by introducing new products which are in sought-after categories including men's and women's health, cardiovascular and anti-ageing, among others. As we move forward, we endeavour to expand our range of products to stimulate interest in the market.




*New house brand products in 2019*

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

Over in China, we remain focused on penetrating the market to capitalise on the growing popularity of health supplement products there. During the year, we partnered with a reputable Traditional Chinese Medicine ("TCM") organisation in China with an extensive distribution network, to develop and manufacture food-based products promoting various health functions such as improving immunity and gut health, to name a few. In the meantime, we are also collaborating with our existing distributors to expand our presence there.




*Health supplement product for Chinese market*

For our Indonesian market, we are currently producing functional foods and health supplements that are localised for the Indonesian market. Distribution-wise, we are working with our partners to promote our products there. For our health supplement products category, we have a number of new products in the pipeline pending regulatory approvals, which unfortunately, made slower-than-expected progress last year. Moving forward, we expect to secure more approvals for our health supplement products, after which, we could expand our offerings in the country.

## Retail Pharmacy

We operate a retail pharmacy chain under the Constant Pharmacy ("Constant") brand. This serves as an excellent platform for us to market and promote our house brand products to end-customers.

In FY2019, we further penetrated the market by expanding Constant's network into the premium supermarket chain with the opening of two pharmacy outlets within Village Grocer in Central i-City Mall, Shah Alam and Mid Valley South Key Mall, Johor Bahru.

To sustain the growth of our retail pharmacy business, our efforts are focused on enhancing the variety of products and improving customer services offered at our Constant outlets. We aim to foster close relationship with the local community by providing value-added services such as professional consultation to customers, as well as high-quality product offerings.

Apart from brick and mortal presence, the Group also has an online presence for our eConstant shop at www.constant.com.my, with delivery services provided. Additionally, our products are also available on popular e-commerce platforms such as Lazada and Shopee, as part of our strategy to increase customer reach. During the year, we stepped up our marketing and promotional activities to gain more traction while at the same time, strengthened our supply chain and management system to enhance operational and cost efficiencies.

With the ongoing initiatives, we foresee sales of our house brand products to improve as we expand our distribution reach and increase penetration.

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

## FINANCIAL PERFORMANCE REVIEW

### Revenue

Group revenue amounted to RM63.7 million in FY2019, as compared to RM70.1 million in the previous year ("FY2018"). The Group's manufacturing of health supplement business generated a turnover of RM36.5 million in FY2019, against RM44.1 million in FY2018, as domestic ODM sales were impacted by the soft consumer sentiment.

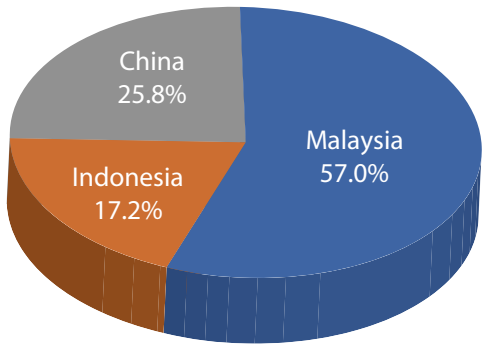
Nonetheless, our export sales increased 8.7% to RM27.4 million in FY2019, primarily driven by stronger demand from China. During the year, sales to China grew 41.3% to RM16.5 million as we fulfilled more orders from ODM customers. Meanwhile, sales to Indonesia stood at RM10.9 million in FY2019 versus RM13.5 million a year ago.

For the year under review, our retail pharmacy arm recorded 4.4% revenue growth to RM27.1 million, mainly on the back of maiden contribution from newly opened Constant outlets during the year and increased marketing and promotional activities.

The Group's manufacturing of health supplements division remained as the major contributor accounting for 57.4% of FY2019 Group Revenue, while our pharmacy business made up the balance 42.6%.

In terms of geographical breakdown, the Malaysian market accounted for 57.0% of the Group Revenue, followed by China with 25.8% while Indonesia contributed the remaining 17.2%.

FY2019 Sales Mix by Country




### Gross profit margin

Gross profit margin contracted to 39.6% in FY2019 from 43.6% a year ago. This was in line with the lower revenue base, along with higher depreciation and manufacturing overheads arising from the upgrading of machineries at our manufacturing plant.

### Administrative expenses

In FY2019, Bioalpha's administrative costs trimmed by 3.9% to RM18.3 million from RM19.0 million a year ago. The lower expenses can be attributed to the Group's effective measures in driving costs down during the year.

### Taxation

Bioalpha's effective tax rate came in at 20.9% in FY2019, lower than the statutory tax rate of 24.0%, as we received capital allowances for certain qualifying expenses in relation to purchasing of machineries and building in the course of the year.

Additionally, our subsidiary, Bioalpha (Johor Herbal) Sdn. Bhd., was granted an incentive by MOFI, allowing 100% tax exemption on income for a period of 10 years starting 1 January 2018. Another of our subsidiary, Bioalpha East Coast Agro Sdn. Bhd., had also received a tax incentive for a period of 10 years from the Malaysian Investment Development Authority ("MIDA"), but this has not been utilised yet.

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

Bioalpha reported a net profit of RM8.3 million for FY2019, against RM11.6 million a year ago, mainly due to slower performance of the manufacturing business during the year. Net profit margin stood at 13.1% in FY2019 by comparison to 16.5% in FY2018.

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

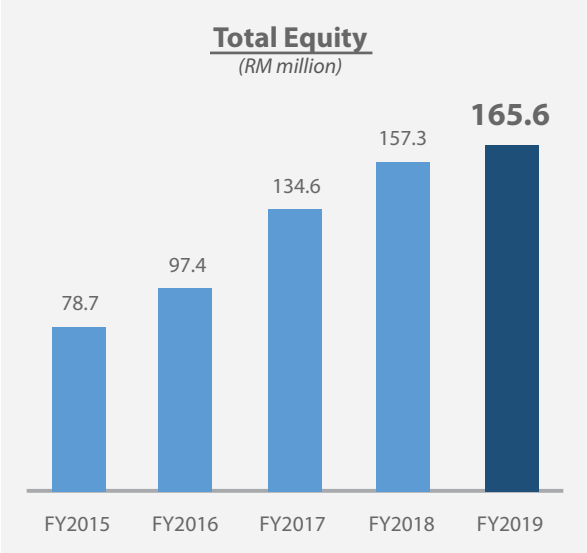
## SOLID FINANCIAL FOOTING

Bioalpha's financial standing remained healthy as at 31 December 2019.

Gearing ratio is stable at 0.03 times as at 31 December 2019 as the Group's total borrowings reduced to RM5.5 million from RM6.2 million a year ago, due to repayment of bank borrowings. Meanwhile, the Group's deposits, cash and bank balances amounted to RM12.5 million as at end-2019. Bioalpha remained in a net cash position with net cash per share of 0.82 sen, providing us with enough headroom to raise funds via borrowing should the need arises.

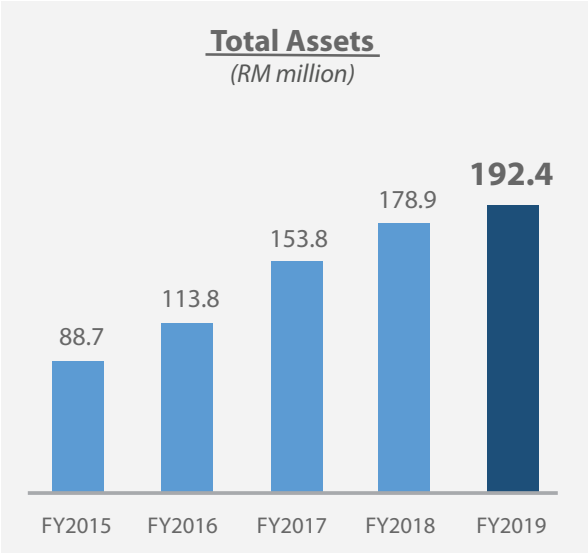



Equity attributable to shareholders of Bioalpha rose to RM165.5 million as at end-2019 from RM157.6 million a year ago in line with the increase in retained earnings. Net assets per share stood at 19.2 sen in FY2019.




During the year, total assets increased by 8.3% to RM193.9 million, mainly contributed by higher property, plant and equipment balance following the adoption of MFRS 16 Leases resulting in the recognition of right-of-use ("ROU") assets and corresponding lease liabilities effective from 1 January 2019.

The Group's total liabilities also grew by 32.2% to RM28.6 million, primarily due to recognition of lease liabilities for ROU assets, in accordance with the adoption of MFRS 16 Leases.




The Group generated positive net operating cash flow of RM16.3 million in FY2019 as compared to RM10.3 million in FY2018, partly on the back of collection of receivables during the year.




As we grow the business, we continuously refine our capital structure to ensure a strong capital base to support our business and maximise returns for Bioalpha and our shareholders.

## SUSTAINABILITY MATTERS

At Bioalpha, we understand the vital role we play as a responsible corporate citizen, with sustainable development acting as a guiding philosophy for all our undertakings. We are committed to best sustainability practices as we strive to create value for our stakeholders through innovation and operational excellence, while mitigating the negative impact of our operations on the environment. The Group's sustainability efforts are elaborated in the Sustainability Statement of this Annual Report from page 34 to page 39.

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

## ANTICIPATED RISKS

### Changes in economic, political and regulatory conditions

The Group conducts business locally in Malaysia as well as abroad, namely in China and Indonesia. As such, we operate under a wide range of laws and regulations, as well as different economic conditions, that may impact multiple aspects of our operations and supply chain. For example, the Covid-19 pandemic has resulted in the implementation of lockdown or movement restrictions by governments worldwide to curb the spread of the virus. This caused disruptions in our operations with adverse impact on our financial performance as we are unable to export our products.

In this regard, we have taken the necessary steps to ensure we practice prudent financial management, while strengthening our operating processes, to protect us against any adverse developments. However, the global market's economic, political and social factors remain beyond the Group's control and may impact our operations, financial performance and future prospects.

### Product liability risk

As a health supplement Group, product contamination is an area of key concern as it could lead to a widespread product recall. This would affect our bottom line, as well as jeopardise Bioalpha's reputation and demand for products.

To mitigate this risk, we have adequate product liability insurance coverage to protect against claims of injury caused by defective products. Additionally, our operations are in compliance with stringent control procedures for processes relating to product formulation and manufacturing. Our main manufacturing facility in Bangi is also certified with GMP and HACCP certifications. We have not experienced any product recalls from the market, nor any product liability claims, since our inception.

### Harvest risk

Our plantations are exposed to harvest risk, which include outbreaks of diseases, damage from pests and fire or other natural disasters. This may cause disruption to our production of herbal-based health supplements.

We aim to minimise this risk by taking proactive steps with keeping up to date with the latest advancements in areas relating to planting technologies and materials, disease prevention and farm operations. We also have a dedicated agriculture development team overseeing the progress of the herbal parks, in addition to supply and quality of the produces.

## DIVIDENDS

In view of the demanding operating climate, the Board did not propose any dividend in respect of the current financial year. Our ability to pay dividends is subject to the Group's financial position, operational requirements and expansion plans. With the challenging environment expected to prevail, there is a need to conserve cash and reinvest back into the business to fortify our competitive position. It is our endeavour to strike a balance between rewarding our shareholders and retaining cash to grow the business.

## THE WAY FORWARD

Coming into 2020, we intend to channel our efforts into strengthening the core fundamentals of the business to navigate through these difficult times. The Covid-19 pandemic presents unprecedented challenges, weighing down the already slowing global economic growth, rendering a brunt impact on the domestic front. We are following the developments of Covid-19 closely and are bracing ourselves for possible adverse impact by taking the necessary measures to minimise any forthcoming risks. In Malaysia, we foresee the soft consumer sentiment to prevail in FY2020. In particular, performance in the first half of 2020 would be negatively affected by Covid-19 and the resulting MCO which restricted operations of businesses. With various measures put in place by our Government, we hope the situation would be under control soon with recovery to gradually take place in the second half of 2020.

Our manufacturing business is expected to remain as the major revenue contributor for this year. Our emphasis will be on sustaining market interests by growing our product and customer base, paying close attention to changes in consumer preferences. During the Covid-19 pandemic, we reacted swiftly to market demand by producing more health supplements that promote respiratory health and strengthen immune system, in addition to introducing our house brand hand sanitizers. Moving forward, we will intensify our R&D activities on developing formulations for immunity-based supplements to capitalise on the increasing health awareness arising from the Covid-19 outbreak.

Operationally, we remain steadfast on improving our processes to enhance the features and marketability of our health supplement products. For example, we plan to purchase a granulator machine to produce powder-based products with increased solubility and ultra-fine standard which will enhance in-body absorption. At the same time, the expansion of the variety of forms and packaging available for customers to choose from and increased advancement on processing method to scale up and reduce manufacturing time, will provide us the capability to cater for incoming orders of our products.

# MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

For the market in China, we continue to work with our partners to expand our distribution network and product offerings to accelerate our growth in this region. In view of the spread of Covid-19 pandemic, we foresee sales to be affected during the first half of the year due to disruption to the global supply chain. Nevertheless, we anticipate demand for health supplements to pick up strongly in the second half of 2020, in line with growing health awareness as more people seek to boost their immune system to protect themselves against diseases. Meanwhile, our subsidiary in Hong Kong, which has been in collaborative R&D efforts with HKUST, are accelerating their efforts to develop formulations for inflammatory and respiratory conditions in preparation for the increase in demand for immunity-related products going forward.

Over in Indonesia, we are channelling our efforts on rolling out functional foods that are suited to local taste buds, while seeking to obtain more regulatory approvals for health supplement products. While we anticipate a slowdown in sales for the first half of 2020 due to Covid-19, we still maintain a positive outlook for our Indonesian market in the long run as more approvals are granted in due time.

On the Group's retail pharmacy business, our strategy is to enhance the services offered at our Constant outlets, in addition to introducing new house brand offerings which are of high interest at the moment, including immunity-related products. Following the Covid-19 outbreak, we have experienced a spike in sales of products that boost immunity and improve respiratory systems. Hygiene-related items such as masks and hand sanitizers are also in great demand at our pharmacy outlets. As mentioned earlier, we now have our house brand hand sanitizers as well.

Meanwhile, we see greater adoption of e-commerce practice amongst consumers especially during the MCO, given the restriction on mobility. In this regard, we shall work on enhancing our eConstant online shop, as well as broadening our product offering on other e-commerce platforms in order to capture more sales online.

Our agriculture business is still in gestation period as several crops have longer maturity periods. For the coming year, we will carry on our efforts to improve the yield on the developed land. We also expect harvest tonnage to increase as more plants reach maturity. Notwithstanding this, we remain cautious on the overall demand for herbs given the soft economy.



*Tongkat Ali trees at Desaru Farm*

On the corporate front, we have submitted our application to Securities Commission Malaysia ("SC") on 30 August 2019 for the proposed transfer of our listing to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The transfer of our listing is subject to approvals from the SC, Bursa Securities and other relevant authority. The migration to Main Market is expected to raise Bioalpha's profile and garner interest from a broader pool of investors, improving the liquidity and marketability of Bioalpha's shares.

Looking ahead, we are mindful of the challenging market conditions. Notwithstanding this, we firmly believe that our ongoing strategic initiatives give us the ability to respond to these circumstances while capitalising on arising opportunities. This is underpinned by our solid fundamentals, strong capabilities and long-term growth prospects in the health supplements space.

## APPRECIATION

My deepest gratitude goes to our Board of Directors for their invaluable counsel in steering Bioalpha forward. To all our stakeholders, including our shareholders, suppliers, customers and government agencies, thank you for your continued support and faith in the Group. Last but not least, I would like to extend my heartfelt appreciation to the dedicated management team and all employees for their commitment towards the Group's growth. With the talents we have at Bioalpha, I have confidence we shall rise up to the challenge and continue to thrive in the future.

**Hon Tian Kok @ William**
Managing Director/Chief Executive Officer

# SUSTAINABILITY STATEMENT

Bioalpha Holdings Berhad ("Bioalpha") is pleased to present our Sustainability Statement. This statement encompasses our material Environment, Economy and Social ("EES") matters for the financial year. Our sustainability initiatives reflect our continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with long-term value creation based on EES considerations.

Bioalpha is committed to building a sustainable business and conducting our operations with integrity. As an integrated health supplement company in healthcare supplement sectors, we are mindful that good sustainability practices are integral to our long-term business growth. To this end, the Board strives to embed a strong governance culture, socially responsible values and sound environmental practices throughout the Group.

## STAKEHOLDER ENGAGEMENT

We recognise that our stakeholders are important to the Group's long-term growth or success. Although external stakeholders were not engaged specifically to examine their most material EES factors, we have regular interactions with them which allow us to glean information on areas they may have the most concerns. Our key stakeholders and their areas of interest based on our various engagements with them and are set out below:

| Stakeholders | Engagement methods |
|---|---|
| Investors and shareholders | • Annual Report<br>• Quarterly Bursa announcements<br>• AGM for shareholders<br>• Corporate website with Investor Relation updates<br>• Media News/ releases<br>• Analyst Reports/ Interview<br>• Email communications – investorrelations@bioa.com.my |
| Employees | • Employee handbook- code of conduct<br>• New Staff Orientation<br>• Trainings and teambuilding and company event<br>• Whistle blowing policy<br>• Anti-Bribery Policy |
| Customers | • Engagement with sales personnel<br>• Factory visits<br>• Exhibition/ Trade shows<br>• Awareness programmes and health forums |
| Suppliers | • Supplier selection process<br>• Suppliers assessment<br>• Meetings with suppliers |
| Regulators | • Seminar/ updates received from local government agencies<br>• Internal processes in place to ensure compliance with local government laws and regulations |
| Local communities | • Compliance with local government laws and regulations such as pollution at surrounding factory areas, chemical discharge to drainage, etc. |

# SUSTAINABILITY STATEMENT
CONT'D

## OUR COMMITMENT

We perceived corporate sustainability as our commitment to create long term value to our shareholders, environment and society trough innovation and overall operational excellence. We understand our choices today have an impact on our stakeholder i.e. customers and suppliers and the success of their businesses in the future. Our business imperative is to carry out our activities responsibly and with integrity. Our people are expected to behave in an ethical manner in accordance with our policies, code of conduct and guidelines.

Mindful of the need to be a corporately responsible organisation, the Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. The Group recognises that for long term sustainability, its strategic orientation will need to look beyond the financial parameters.

Within this context we have defined our commitment to corporate sustainability across three material areas:

## ENVIRONMENTAL INITIATIVES

### Manufacturing Process

We understand that our operations and activities have an environmental footprint and it is our responsibility to minimise these through continuous improvement of our manufacturing facilities. We ensure that our manufacturing processes comply with GMP, HACCP and ISO requirements. To meet these requirements, quality assurance principal is to ensure the quality and safety of our products.

Our processes and equipment used for fermentation of medicinal mushrooms and manufacturing of products have been inspected by JAKIM, which have enabled us to obtain Halal certifications for our products.

Our manufacturing facilities adhere to strict regulations and procedures to ensure that materials and energy resources are used efficiently to minimise waste. These include monitoring energy consumption, materials planning and waste management. Such resulted in approximate energy saving of 15,000 kWh in FYE 2019.

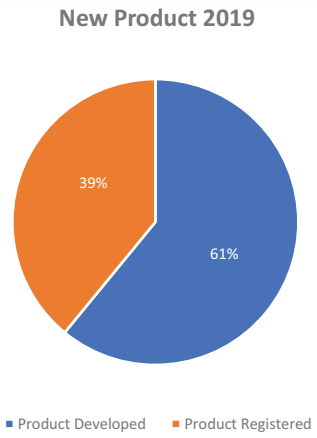
## ECONOMY INITIATIVES

We remain committed and maintain open dialogue with shareholders, the investment community and stakeholders. Annual general meetings are the principal forum for dialogue with shareholders and provide them the opportunity to raise questions and seek clarifications on the Group's operations, performance and strategies. All Directors were present in person to engage directly with the shareholders of the Company during the annual general meeting held in 2019.

### Research & Development (R&D)

Given our reach in the pharmaceutical arena, we are dedicated to maintaining the affordability and accessibility of health supplement while upholding our standards of safety, quality and efficacy. We are able to ensure this through our commitment to R&D into high quality and cost competitive supplement products for various segments.

# SUSTAINABILITY STATEMENT
CONT'D




**Marketplace**

The Group is continuously committed to promote and maintain transparency, accountability and ethics in the conduct of its business and operations with the stakeholders, including our government and authorities, shareholders and investors, customers, suppliers, employees and communities. This include the implementation of internal control systems such as a financial authority framework and risk management framework.

The Group strive to continuously improve our relationships, trust, mutual respect, understanding with our stakeholders who have an effect on, or is affected by our businesses. The Group has introduced various channels to engage with our stakeholders to understand and respond to their expectations and interests with regard to our services and operations.

The Group works closely with the suppliers to create a high-quality, reliable supply chain that meets our standards. The Group has had regular engagement sessions with suppliers to identify areas and methods for improvement and to resolve issues.

## SOCIAL INITIATIVES

**Our People**

Our employees play an integral role in the sustainability and success of the Group. As such, we are focused on attracting and retaining a highly skilled workforce while prioritising the wellbeing of our people.

We believe in the inherent strength of a diversified workforce. Hence, we take into account the current diversity in the gender, age and race/ethnicity of the existing workforce.

| Level | Top Management | Employee |
|---|---|---|
| Racial Diversity % | | |
| Malay | 44% | 65% |
| Chinese | 50% | 23% |
| Indian | 0% | 5% |
| Others | 6% | 7% |
| Gender Diversity % | | |
| Male | 78% | 48% |
| Female | 22% | 52% |

# SUSTAINABILITY STATEMENT
CONT'D

**Training and Development**

The Group career development and progression opportunities for the employees through in-house training, attending seminar, workshops and talks. This will equip them with the latest job-related updates and knowledge/ know-how. The total budget allocation for director and employee training for year 2019 is RM20,000.

The total training hour as below:

| Category of training | Hours |
|---|---|
| External<br>Internal | 408<br>42 |

**Festive Celebrations 2019 and 2020**





*Hari Raya Aidilfitri 2019*






*Chinese New Year 2020*

| Program | Date |
|---|---|
| Annual Dinner | 29 June 2019 |
| Festival Open House<br>- CNY Open House & MPM award<br>- Hari Raya Open House & MPM award<br>- Deepavali Celebration & MPM award | <br>16 Feb 2019 and 1 Feb 2020<br>29 Jun 2019<br>9 Nov 2019 |

# SUSTAINABILITY STATEMENT
CONT'D

**Occupational Safety and Health**

We recognise that the very nature of our business itself involves occupational health and safety risks. The safety and health of our employees as well as the safety of our contractors, service providers and visitors to our manufacturing facilities remain a priority through our commitment to:

- Comply with local Occupational Safety and Health regulations.
- Comply with all applicable environmental laws and regulations.
- Implement Safety, Health & Environment (SHE) training programs to ensure adequate training of all employees and contractors.
- Continue to identify potential hazards and implement appropriate measures.
- Investigate all incidents, diseases and dangerous occurrences and ensure appropriate action to prevent recurrence.
- Communicate and update all employees and contractors on worker safety and asset protection.
- Ensure that appropriate Emergency Response Plans are in place.
- Continuously improve our environment management system.

**Community**

As an organisation with its business deeply rooted in the community that it serves, Bioalpha is aware of its social obligations to the community. Bioalpha is privileged to have been able to support communities in need and make a difference in their lives.

During the year under the review, the Group initiated several cultural and welfare activities, and donations to various non-organisations.

| CSR activities | Date |
|---|---|
| Donation for Skin Cancer Patient | 19 Jan 2019 |
| Blood Donation Activity | 24 Aug 2019 |
| Donation for Car Accident [Victim] | 7 Dec 2019 |

**COVID-19**

Bioalpha has equipped front-liners with facemasks and face shields through the onset of COVID-19 outbreak. In addition to practicing social distancing, sanitizer is made available at the counter for visitors at Mediconstant outlet.

Bioalpha has also sponsored Pusat Perubatan Universiti Malaya 100 drums of 5 litre, and 200 bottles of 500ml Apotec (i.e. home brand) Sanitizer to fight COVID-19.





# SUSTAINABILITY STATEMENT
CONT'D

**Blood Donation**

On 24th August 2019, Bioalpha and Mediconstant has organized a Corporate Social Responsibility (CSR) event at Pusat Darah Negara Malaysia. The program has run smoothly and achieved the company's objectives. Through this activity, the company is able to deliver on the importance of donating blood to the Pusat Darah Negara by supplying valuable blood supply as much as possible. In addition, these activities can foster a sense of responsibility and compassion among the workers to the country. Bioalpha Managing Director, Mr.Hon Tian Kok @ William also gave full supports and participated in the program. The blood donation event that ran from 9 am to 12 noon was able to donate almost 30 bags to the National Blood Center.





**Satellite Farming**

Bioalpha has also assist and support local farmers by encouraging 'satellite farming', while promoting home grown raw materials from various community as follow.




**Moving Forward**

The Board will work progressively towards improving the Group's sustainability reporting in relation to the management of our Economic, Environment and Social risks and opportunities.

This Sustainability Statement is prepared in accordance with the resolution of the Board of Directors dated 5 June 2020.

# CONSTANT

Lifestyle and Wellness Pharmacy

## CONSTANT RETAIL OUTLETS

### KUALA LUMPUR

**CHERAS:**
83, Jalan 34/154,
Taman Dahlia, Cheras,
56000 Kuala Lumpur.
Tel: 03-9101 7018
Whatsapp/SMS: 016-886 1679

**SETAPAK:**
33, Jalan 45A/26,
Taman Sri Rampai,
Setapak, 53300 Kuala Lumpur.
Tel: 03-4149 7018
Whatsapp/SMS: 016-886 1845

**TMN TUN DR ISMAIL:**
22-G, Jalan Mohd Fuad 2,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur.
Tel: 03-7727 0018
Whatsapp/SMS: 012-358 8455

**SUNGAI BESI:**
24, Jalan Tasik Selatan 20C/146,
Taman Desa Tasik, Sungai Besi,
57000 Kuala Lumpur.
Tel: 03-9059 2018
Whatsapp/SMS: 016-886 1842

**GENTING KELANG:**
195-G, Ground Floor,
Jalan Genting Kelang,
53300 Kuala Lumpur.
Tel: 03-4031 7018
Whatsapp/SMS: 012-321 6773

### SELANGOR

**PUCHONG:**
Pusat Perdagangan Puchong
Prima, F-01-04,
Blok F, Jalan Prima 5/3,
Taman Puchong Prima
47100 Selangor.
Tel: 03-8061 4018
Whatsapp/SMS: 016-886 1840

**AMPANG POINT, AMPANG:**
89, Lorong Mamanda 1,
Ampang Point, Jalan Ampang,
68000 Ampang, Selangor.
Tel: 03-4252 8018

**MERU, KLANG:**
145, Jalan Susur, Off Jalan Meru,
41050 Klang, Selangor.
Tel: 03-3343 6579
Whatsapp/SMS: 016-886 1792

**PERSIARAN RAJA MUDA MUSA, KLANG:**
2984, Persiaran Raja Muda Musa,
41100 Klang, Selangor.
Tel: 03-3372 8891
Whatsapp/SMS: 016-886 1795

**SERI KEMBANGAN:**
No. 88-GF, Jalan PUJ 3/2, Taman
Puncak Jalil, Bandar Putra Permai,
43300 Sri Kembangan, Selangor.
Tel/ Fax: 03-8082 4018

**SHAH ALAM:**
Lot LG-01, Sentral I-City, Plot 1
I-City Persiaran Multimedia,
Seksyen 7, 40000 Shah Alam,
Selangor.
Tel: 011-16396018

### PERAK

**IPOH:**
No 2-8 (GF), Jalan Kamaruddin
Isa, Pusat Perdagangan Kepayang,
31400 Ipoh, Perak.
Whatsapp/sms: 013-837 3018

### KELANTAN

**TANAH MERAH:**
PT 614 @ 22-G,
Kompleks Perniagaan Humaira,
Taman Hiburan, 17500 Tanah
Merah, Kelantan.
Tel: 09-955 3018

**KOTA BAHRU:**
No. 55-G, Sec 27, Jalan Kebun
Sultan, 15300, Kota Bharu,
Kelantan.
Tel : 09-955 3018

### TERENGGANU

**JERTEH:**
Lot PT300, Tingkat Bawah, Jalan
Bukit Mok Mek, 22000 Jerteh,
Terengganu.
Tel : 09-697 6018

### JOHOR

**JOHOR:**
AT-2, The Mall, Mid Valley Southkey,
No. 1, Persiaran Southkey 1,
Kota Southkey, 80150 Johor Bahru,
Johor.
Tel/Fax: 07-3360508
Whatapps: 016-2167018

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS

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 ("MCCG") to enhance business prosperity and maximize shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is an overview statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2019 pursuant to Rule 15.25 of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

## PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

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

1. Board's Leadership on Objectives and Goals

### 1.1 Set Strategic Aims, Values and Standards for the Company

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

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

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

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

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

### 1.2 Appointment of Chairman

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part I - Board Responsibilities (Cont'd)

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

**1.2 Appointment of Chairman (Cont'd)**

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

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

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

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

**1.4 Qualified and competent Company Secretaries**

In compliance with Practice 1.4 of the MCCG, the Board is supported by two (2) External Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretaries provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG, guidance and legislation.

The Company Secretaries keep the Board abreast with the latest regulatory updates and ensure that deliberations at Board and Board Committee meetings are well documented.

The Board is satisfied with the performance and support rendered by the two (2) qualified and experienced Company Secretaries to the Board in discharge of its functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:

- assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders,
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Act, the AMLR and the Constitution of the Company;
- facilitating orientation of new director;
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part I - Board Responsibilities (Cont'd)

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

**1.5 Access to information and advice**

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek clarification as and when they may need advisers or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the AC, NC, RC, RMC and SIS Option Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the cost involved.

2. Demarcation of Responsibilities

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

**2.1 Board Charter**

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part I - Board Responsibilities (Cont'd)

3. Good Business Conduct and Corporate Culture

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

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

### 3.1 Code of Ethics & Conduct

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment. The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference on the Company's website at www.bioa.com.my.

### 3.2 Whistle Blowing Policy and Procedures

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

The Company had adopted the Anti-Bribery Management System Policy that set out the policies and adequate procedures against bribery and corruption activities in the conduct of its business under the gazetted Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

Part II - Board Composition

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

4. Board's objectivity

### 4.1 Composition of the Board

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

The Board consists of eight (8) members, as designated below:
one (1) Independent Non-Executive Chairman;
one (1) Managing Director/Chief Executive Officer;
one (1) Executive Director;
one (1) Group Chief Financial Officer/Finance Director;
one (1) Non-Independent Non-Executive Directors; and
three (3) Independent Non-Executive Directors.

The profile of each Director is presented separately in pages 9 to 15 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II - Board Composition (Cont'd)

4. Board's objectivity (Cont'd)

**4.2 Tenure of Independent Director**

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

**4.3 Policy of Tenure of Independent Director**

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an independent director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting.

**4.4 Diverse Board and Senior Management Team**

The members of the Board are professionals with calibre and entrepreneurs equipped with industry specific knowledge and experience. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives. The Board is of the opinion that the directors, with their different background and specialisations, collectively bring with them the required expertise and experience to discharge the Board's duties and responsibilities.

In assessing suitability of candidates to the Board and Senior Management Team, consideration will be given based on core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of professional knowledge, skills, experience and diversity (including gender diversity). Understanding of the Business, the Market and the Industry in which the Group operates and the accounting, finance and legal matter.

**4.5 Gender Diversity**

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

As of the date of this Statement, one (1) out of eight (8) of the Board members is a female director, which meets with the MCCG's recommendation.

On 6 March 2020, Ms Goh Siow Cheng was appointed as the Group Chief Financial Officer/Finance Director of Bioalpha. Her appointment marked Biolapha's initiative to introduce female representation on Board.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II - Board Composition (Cont'd)

4. Board's objectivity (Cont'd)

**4.6 Appointment of Directors**

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. As a whole, the Company maintains an adequate number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure that all appointments are properly met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assesses and recommends to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In identifying of suitable new candidates, the NC will not solely rely on recommendations from existing Board members, Management or Major Shareholders, but will consider of utilising independent sources.

During the financial year, there was no recruitment of new Director recommended by the Nomination Committee as it had reported that the Board's composition remained adequate. Save for, the recommendation on the appointment of Ms Goh Siow Cheng as Group Chief Financial Officer/Finance Director of Bioalpha on 6 March 2020 and Mr Kang Jimmi as Independent Non-Executive Director on 22 May 2020.

**4.7 Nomination Committee**

The Company has established the NC comprising exclusively of Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the NC. The NC is aware of their duties and responsibilities.

As a whole, the Company maintains an adequate number of Board members. The present members of the NC as follows:

| | |
|---|---|
| Chairman: | Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim<br>*(Independent Non-Executive Director)*<br>*(Re-designated from member of NC to Chairman of NC on 22 May 2020)* |
| Members: | Mr Kang Jimmi *(Independent Non-Executive Director)*<br>*(Appointed on 22 May 2020)*<br>Encik Mohd Nasir Bin Abdullah *(Independent Non-Executive Director)*<br>*(Appointed on 22 May 2020)* |

Past members:

| | |
|---|---|
| Chairman: | Dr Nik Ismail Bin Nik Daud *(Independent Non-Executive Director)*<br>*(Resigned on 30 April 2020)* |
| Member: | Dato' Rosely Bin Samsuri *(Independent Non-Executive Director)*<br>*(Resigned on 30 April 2020)* |

The Terms of Reference of the NC can be viewed on the Company's website at www.bioa.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II - Board Composition (Cont'd)

4. Board's objectivity (Cont'd)

**4.7 Nomination Committee**

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

i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution;
iii) Reviewed the background and experienced of proposed new directors and make appropriate recommendation to the Board.

5. Overall Board Effectiveness

**5.1 Annual evaluation**

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment approach on an annual basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self-assessment on an annual basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2019, the Board and the NC are satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

The Board also assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise its independent judgment at all times and to contribute to the effective functioning of the Board.

Based on the assessment carried out during the financial year ended 31 December 2019, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the AMLR.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II - Board Composition (Cont'd)

5. Overall Board Effectiveness (Cont'd)

**5.1 Annual evaluation (Cont'd)**

**5.1.1 Time Commitment and Directorship in Other Public Listed Companies**

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board members at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/ her duty as a Director of the Company. To ensure that the Directors have time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the AMLR of Bursa Securities.

Each Board member is required to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/ or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors as set out in the section below.

During the financial year under review, there were six (6) Board Meetings were held and the attendance record of the current Board members is reflected as follows:-

| **Name of Directors** | **Attendance** |
|---|---|
| Tan Sri Abdul Rahman Bin Mamat | 6/6 |
| Hon Tian Kok @ William | 6/6 |
| Ho Tze Hiung | 6/6 |
| Dato' Norhalim Bin Yunus | 6/6 |
| Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim | 6/6 |
| Mohd Nasir Bin Abdullah | 6/6 |
| Dato' Rosely Bin Samsuri<br>*(Resigned on 30 April 2020)* | 6/6 |
| Dr. Nik Ismail Bin Nik Daud<br>*(Resigned on 30 April 2020)* | 5/6 |
| Kang Jimmi<br>*(Appointed on 22 May 2020)* | N/A |
| Goh Siow Cheng<br>*(Appointed on 6 March 2020)* | N/A |

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II - Board Composition (Cont'd)

5. Overall Board Effectiveness (Cont'd)

**5.1 Annual evaluation (Cont'd)**

**5.1.2 Continuing Education Programs/ Directors' Training**

All Directors save for newly appointed Director have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/ conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Board has undertaken an assessment of the training needs of each of the Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars / conferences / training programmes attended by the Board members during the financial year are as listed below:

| Name Of Directors | Details Of Seminar/Training/Programme/Conference |
|---|---|
| TAN SRI ABDUL RAHMAN BIN MAMAT | • PNB Leadership Forum 2019<br>• 1st Shariah Dialogue Session 2019 - Knowledge Sharing Session: Takeaways from Legal Cases in Islamic Finance<br>• Luncheon Talk with YB Datuk Sri Saifuddin Nasution Ismail - Dealing with The Rising Cost of Living<br>• China's Belt & Road Initiatives - Latest Status & Impact on Business<br>• Audit Committee Conference 2019 - Meeting the New Expectations Malaysian Institute of Accountants & The Institute of Internal Auditors<br>• Bursa Malaysia's Thought Leadership Series On "Leadership Greatness in Turbulent Times: Building Corporate Longevity") by Erik P.M. Vermeulen<br>• Anti Money Laundering / Counter Financing of Terrorism Banking Sector<br>• BNM-FIDE Forum Dialogue: Key aspects of fintech and regulation<br>• FIDE FORUM: 4th Distinguished board leadership series: Digital to the core by Ms Tan Bi ru<br>• International Directors Summit 2019<br>• PNB Corporate Summit – Rebooting Corporate Malaysia<br>• YTI Memorial Lecture 2019<br>• Botanical Drug Development |

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II - Board Composition (Cont'd)

5. Overall Board Effectiveness (Cont'd)

**5.1 Annual evaluation (Cont'd)**

**5.1.2 Continuing Education Programs/ Directors' Training (Cont'd)**

Details of seminars / conferences / training programmes attended by the Board members during the financial year are as listed below: (Cont'd)

| Name Of Directors | Details Of Seminar/Training/Programme/Conference |
|---|---|
| HON TIAN KOK@WILLIAM | • Botanical Drug Development |
| HO TZE HIUNG | • Botanical Drug Development |
| DATO' NORHALIM BIN YUNUS | • Emtech Asia 2019<br>• Merdeka Roundtable Dialogue - Energizing Symbiotic STI Ecosystem towards A Developed Nation<br>• [ADFIM PowerTalk] Dialogue Session With Tun Daim Zainuddin<br>• Johor Port Week 2019 Executive Talk organised by Johor Port Authority - "Fostering the Wave of Digitalisation"<br>• The 23rd Annual Conference of Asian Science Parks Association (ASPA 2019)<br>• MIDA-ITRI Technology Talk and Smart Collaboration<br>• Botanical Drug Development |
| TAN SRI DATO' DR. SYED JALALUDIN BIN SYED SALIM | • Botanical Drug Development<br>• Association of South East Asian Institute of Higher Education Conference, Manila<br>• Southern Selangor St John Ambulance Camp |
| MOHD NASIR BIN ABDULLAH | • National Tax conference organised by CITM<br>• Persidangan Cukai Kebangsaan Anjuran Persatuan Akauntan Percukaian Malaysia<br>• Seminar Bajet 2020 Anjuran Persatuan Akauntan Percukaian Malaysia<br>• Botanical Drug Development |
| DATO' ROSELY BIN SAMSURI *(Resigned on 30 April 2020)* | • Botanical Drug Development |
| DR. NIK ISMAIL BIN NIK DAUD *(Resigned on 30 April 2020)* | • The convergence of Digitalisation and Sustainability Conference SC KL<br>• Taiwan- Malaysia Business Collaboration Summit, Taipei Taiwan<br>• 16th Asean Food Conference, Bali Indonesia<br>• Corporate Governance and Anti-Corruption Conference SC KL<br>• Botanical Drug Development |

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part III - Remuneration

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

6. Level and Composition of Remuneration

**6.1 Remuneration Policies and Procedures**

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

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted based on the experience and levels of responsibilities undertaken by the particular Non-Executive Director concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on the recommendations by the Board.

**6.2 RC**

The RC comprises of a majority of Independent Non-Executive Directors in order to assist the Board in determining Directors' remuneration. The present members of the RC are as follow: -

| | |
|---|---|
| Chairman: | Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim<br>*(Independent Non-Executive Director)* |
| Members: | Dato' Norhalim Bin Yunus<br>*(Non-Independent Non-Executive Director)*<br>*Kang Jimmi (Appointed on 22 May 2020)*<br>*(Independent Non-Executive Director)* |
| Past member: | Dr. Nik Ismail Bin Nik Daud *(Resigned on 30 April 2020)*<br>*(Independent Non-Executive Director)* |

The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The Terms of Reference of the RC can be viewed at the Company's website at www.bioa.com.my.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part III - Remuneration (Cont'd)

7. Remuneration of Directors and Senior Management

**7.1 Details of Directors' Remuneration**

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

| Directors | Fees (RM) | Salaries and * other emoluments (RM) | Total (RM) |
|---|---|---|---|
| Executive Directors | – | 654,289 | 654,289 |
| Non-executive Directors | 268,180 | 54,070 | 322,250 |

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

The breakdown of the detailed Directors' fees and other benefits paid during the financial year is disclosed in the Corporate Governance Report which is accessible to the public for reference at the Company's website at www.bioa.com.my.

## PRINCILE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – AC

8. Effective and Independent AC

**8.1 Chairman of AC**

Mohd Nasir Bin Abdullah, who is an Independent Non-Executive Director, is the Chairman of the AC. He is a member of Malaysian Institute of Accountants. The Chairman of AC complied with Practice 8.1 of the MCCG which stipulates that the Chairman of the AC is not the Chairman of the Board as Mohd Nasir Bin Abdullah is not the Chairman of the Board.

**8.2 Former Key Audit Partner**

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

**8.3 Assessment of Suitability and Independence of External Auditors**

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the AC and Board of Directors on matters that require the Board's attention.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part I – AC (Cont'd)

8. Effective and Independent AC (Cont'd)

**8.3 Assessment of Suitability and Independence of External Auditors (Cont'd)**

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC has explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the AC.

In assessing or determining the suitability and independence of the External Auditors, the AC has taken into consideration of the following:

i) the adequacy of the experience and resources of the External Auditors;
ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Every year, the AC will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the AC are duly recorded by the Company Secretaries.

The AC is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the AC's recommendation for the shareholders' approval to be sought at the AGM on the re-appointment of Messrs UHY as the External Auditors of the Company for the financial year ending 31 December 2020.

**8.4 Composition of the AC**

The AC comprises three (3) Non-Executive Directors and three (3) of the AC members are Independent Directors. This composition complied with the requirement of Rule 15.09(1)(a) and (b) of the AMLR.

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

**8.5 Profile of AC Members**

The profiles of AC members are in pages 13 to 15 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part II – Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the AC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The details of the Group's risk management and internal control framework is elaborated in page 58 to 60 of the Statement on Risk Management and Internal Control of this Annual Report, which has been reviewed by the External Auditors.

**9.1 RMC**

The Board has set up a RMC with effect from 20 April 2018 and the members of the RMC are as follow: -

| | |
|---|---|
| Chairman: | Mr Kang Jimmi *(Appointed on 22 May 2020)*<br>*(Independent Non-Executive Director)* |
| Members: | Encik Mohd Nasir Bin Abdullah<br>*(Independent Non-Executive Director)*<br>Ho Tze Hiung *(Executive Director)* |
| Past Chairman: | Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim *(Resigned on 22 May 2020)*<br>*(Independent Non-Executive Director)* |

10. Internal Audit Function

The details of the Group's internal audit function is elaborated in page 62 to 63 on the AC Report of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

Part I – Communication with Stakeholders

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

11. Continuous Communication between Company and Stakeholders

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The Company's website at www.bioa.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information by the investing public. Shareholders and investors may also forward their queries to the Company via email to investorrelations@bioa.com.my.

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

Part II – Conduct of General Meetings

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

12. Shareholder Participation at General Meetings

General meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests.

The Company Secretaries, by order of the Board, served a notice of Annual General Meeting ("AGM") to all shareholders of the Company at least 21 clear days prior to its forthcoming 9th AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the 9th AGM. Notice of the 9th AGM clearly sets out details of the resolutions proposed accompanying with explanatory notes on the rationale of each resolution to enable the shareholders to make informed decision in exercising their voting rights.

# CORPORATE GOVERNANCE OVERVIEW STATEMENTS
CONT'D

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

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

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

The Notice of an AGM also provides information to the shareholders with regard to, amongst others their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy.

In line with Rule 8.31A of the AMLR of Bursa Securities, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) independent scrutineer to validate the votes cast at the general meeting.

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

The general meeting also serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the question-and-answer session with the Board personally and exercise their right to vote on the proposed resolutions.

The Board will ensure that all Board members, particularly the chairperson of each Board committee will make their endeavours to attend general meeting to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders.

The external auditors will be present at the AGM to respond to any queries from shareholders on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

14. Voting

The Company's General Meeting is not held in a remote location. The Company has adopted manual polling for 2019 AGM in line with Rule 8.31A(1) of the AMLR of Bursa Securities. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

As for voting in absentia and remote shareholders' participation, the existing proxy form authorizing proxies or Chairman of meeting is an alternative measure adopted by the Company. Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at a general meeting.

## COMPLIANCE STATEMENT

The Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and practices set out in the MCCG as well as the relevant AMLR of Bursa Securities for the financial year ended 31 December 2019. Any practices in the MCCG which have not been implemented during the financial year will be reviewed by the Board and implemented where possible and relevant to the Group's business.

This Statement is made in accordance with the resolution of the Board dated 5 June 2020.

# STATEMENT OF DIRECTORS' RESPONSIBILITY
## IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standard in Malaysia.

The Directors are responsible to ensure that the financial statements is given a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have observed the following criteria:

- overseeing the overall conduct of the company's business and that of the group;
- identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- reviewing the adequacy and integrity of internal controls system and management information system in the company and within the group;
- adopting suitable accounting policies and apply them consistently;
- making judgments and estimates that are reasonable and prudent; and
- ensuring that the financial statements were prepared on a going concern basis and in compliance with all applicable approved accounting standard in Malaysia subject to any material departures, if any, were disclosed.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2019, appropriate accounting policies were used and applied consistently, and adopted to include new and revised Malaysian Financial Reporting Standards where applicable. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimize fraud and other irregularities.

This Statement was approved by the Board of Directors on 5 June 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## A. INTRODUCTION

The Board of Directors ("Board") of Bioalpha 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 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's internal control system is designed to manage, rather than eliminate, the risk of not adhering to the Group's policies, and achieving objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement, loss or fraud.

## C. RISK MANAGEMENT

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

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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

## 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 RM52,000 for the financial year ended 31 December 2019.

## 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 57 of this annual report.

## F. OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

**a) Management Structure**

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

**b) Strategic Business Plan and Annual Budget**

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

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

## 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 ARMC and presented to the Board on a periodical basis.

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

The Board has received assurance from the Managing Director/Chief Executive Officer and Group Chief Financial Officer/Finance Director 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 2019 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 5 June 2020.

# AUDIT COMMITTEE REPORT

The AC was established with the primary objective of assisting the Board in the areas of corporate governance, system of internal control, risk management, and management and financial reporting practices of the Group.

## COMPOSITION

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

**Members**
Tan Sri Dato' Dr. Syed *Jalaludin Bin Syed Salim* *(Independent Non-Executive Director)*
Kang Jimmi *(Appointed on 22 May 2020)* *(Independent Non-Executive Director)*

**Past member**
Dato' Rosely Bin Samsuri *(Resigned on 30 April 2020)* *(Non-Independent Non-Executive Director)*

## TERMS OF REFERENCE

The Terms of Reference of the AC which laid down its duties and responsibilities are accessible via the Company's website at www.bioa.com.my.

## ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2019, the AC held five (5) meetings. Details of the attendance of committee members are as follow:

| Members | Attendance |
|---|---|
| Mohd Nasir Bin Abdullah* | 5/5 |
| Dato' Rosely Bin Samsuri *(Resigned on 30 April 2020)* | 5/5 |
| Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim | 5/5 |

*Member of Malaysian Institute of Accountants

## SUMMARY ACTIVITIES OF THE AC DURING THE FINANCIAL YEAR

The activities of the AC during the financial year ended 31 December 2019 include the following:

a) Reviewed the quarterly unaudited financial results of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

b) Reviewed with External Auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2019;

c) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

d) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

# AUDIT COMMITTEE REPORT
CONT'D

## SUMMARY ACTIVITIES OF THE AC DURING THE FINANCIAL YEAR (CONT'D)

The activities of the AC during the financial year ended 31 December 2019 include the following: (Cont'd)

e) Evaluated the performance of the External Auditors for the financial year ended 31 December 2019 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

f) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

g) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;

h) Reviewed the effectiveness of the Group's system of internal control;

i) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

j) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

k) Reviewed the Company's compliance with the AMLR, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

l) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and

m) Report to the Board on its activities and significant findings and results.

## INTERNAL AUDIT FUNCTIONS

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan will be approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

Presently, there are 10 internal auditors with relevant qualifications within the external internal audit firm. The head of the internal audit firm is led by Mr Jason Tee who has 14 years' experience and reports directly to the Audit Committee to ensure impartiality and independence. He being an external internal audit firm, all internal auditors are free from any relationships and conflict of interest with the Group which could impair their objectivity and independence, the internal audit firm carries out Conflict of Interest Declaration yearly to ensure their independence.

The internal auditors adopts International Professional Practices Framework for their audit works.

The cost incurred for the Internal Audit function during the financial year is approximately RM52,000.

# AUDIT COMMITTEE REPORT
CONT'D

## INTERNAL AUDIT FUNCTIONS (CONT'D)

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities:

**1. Sales and Distribution Function**

- To ensure established policies and procedures are approved; conveyed and adhered by Companywide.
- To ensure sales forecast are developed; approved and constantly monitored.
- To ensure that all sales are duly, correctly, completely and promptly recorded in the accounting records.
- To ensure sales order are conveyed to warehouse department for timely delivery.

**2. Farming Operation**

- To ensure established policies and procedures are approved; conveyed and adhered by Companywide.

Production Planning and Reporting
- To determine the production is plan to cater for annual target and approved by Management.
- To ensure the actual output is monitored accordingly to achieve constant output throughout the year.

Manuring Control
- To ensure fertilizer is applied is accordance to approved schedule.

**3. Surprise Audit (One outstation outlet)**

To observe and review the follwing area:-
- Operating Hour;
- Cash/ Credit Card Slip from previous day Collection;
- Cash float;
- Petty cash float;
- Change Shift procedure;
- Security features; and
- Day-end closing.

**4. Collection Function**

- To ensure established policies and procedures are approved; conveyed and adhered by Companywide.
- To ensure receivable is timely bank-in
- To ensure receivable is correctly identified and reflected in the accounts.
- To ensure timely issuance of Statement of Accounts to Trade Debtors.

The AC and the Board agreed that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

For further details on the risk management, internal controls and internal audit functions, please refer to the Statement on Risk Management and Internal Control on pages 58 to 60 in this Annual Report.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2019 were as follows:

| | | Company (RM) | Group (RM) |
|---|---|---|---|
| **Audit Services Rendered** | | 40,000 | 202,899 |
| **Non-Audit Services Rendered** | | | |
| (a) | Review of Statement on Risk Management and Internal Control | 5,000 | 5,000 |
| (b) | Proposed Transfer Listing | 25,000 | 25,000 |

## 2. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

There was no recurrent related party transaction of revenue or trading nature during the financial year ended 31 December 2019.

## 3. REVALUATION POLICY

The Company does not have a revaluation policy on landed properties.

## 4. MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

There was no other material contract and/or contracts relating to loan entered into by the Company and/or its subsidiary companies involving Directors and Major Shareholders' interests.

## 5. SHARE ISSUANCE SCHEME

The Share Issuance Scheme of the Company ("SIS") is governed by the SIS By-Laws and was approved by shareholders on 19 August 2016. The SIS option granted may be exercised any time upon the satisfaction of vesting conditions of each offer. The SIS is in force for a period of five (5) years effective from 27 February 2017 and will be expiring on 26 February 2022.

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

| | | Number of options over Ordinary Shares | | | |
|---|---|---|---|---|---|
| Date of Offer | Exercise Price (RM) | At 1.1.2019 ('000) | Exercised ('000) | Lapsed ('000) | At 31.12.2019 ('000) |
| 27 February 2017 | 0.205 | 9,300 | – | – | 9,300 |

Please refer to page 67 and page 131 of the Annual Report 2019 for the further details on the Share Issuance Scheme.

# FINANCIAL STATEMENTS


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# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

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

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

Financial Results

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

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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

## ISSUANCE OF SHARES AND DEBENTURES

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

## TREASURY SHARES

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

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

# DIRECTORS' REPORT
CONT'D

## WARRANTS

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

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

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

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

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

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

## DIRECTORS

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

| | |
|---|---|
| Tan Sri Abdul Rahman Bin Mamat | |
| Hon Tian Kok @ William* | |
| Ho Tze Hiung* | |
| Dato' Norhalim Bin Yunus | |
| Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim | |
| Mohd Nasir Bin Abdullah | |
| Goh Siow Cheng | (Appointed on 6.3.2020) |
| Dato' Rosely Bin Samsuri | (Resigned on 30.4.2020) |
| Dr Nik Ismail Bin Nik Daud | (Resigned on 30.4.2020) |

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

Ng Yau Loong
Dato' Ng Ah Kow (alternative Director to Ng Yau Loong)
Haji Ahmad Bin Haji Ma'in
Zarina Binti Abdul Kadir^
Datuk Mohamad Ali Bin Hasan^
Asman Shah Bin Abd Rahman#
Datin Mariani Binti Ahmad Nizaruddin#

* *Director of the Company and its subsidiary companies*
^ *Appointed during the financial year*
# *Resigned during the financial year*

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

# DIRECTORS' REPORT
CONT'D

## DIRECTORS' INTERESTS IN SHARES

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

| | | Number of ordinary shares | | |
|---|---|---|---|---|
| | At 1.1.2019 | Bought | Sold | At 31.12.2019 |
| **Interests in the Company:** | | | | |
| **Direct interests** | | | | |
| Tan Sri Abdul Rahman Bin Mamat | 500,000 | – | – | 500,000 |
| Hon Tian Kok @ William | 122,580,000 | – | – | 122,580,000 |
| Dato' Rosely Bin Samsuri | 507,999 | – | – | 507,999 |
| Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim | 300,000 | – | – | 300,000 |
| Dr. Nik Ismail Bin Nik Daud | 500,000 | – | – | 500,000 |
| **Indirect interests** | | | | |
| Hon Tian Kok @ William* | 26,300,000 | – | (10,000,000) | 16,300,000 |

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

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

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

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

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

# DIRECTORS' REPORT
CONT'D

## DIRECTORS' BENEFITS

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

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

## INDEMNITY AND INSURANCE COSTS

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

## OTHER STATUTORY INFORMATION

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

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

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

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

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

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

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

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

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

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

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

# DIRECTORS' REPORT
CONT'D

## 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; and

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

## SUBSIDIARY COMPANIES

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

## SUBSEQUENT EVENT

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

## AUDITORS

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

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

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

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

**KUALA LUMPUR**

# STATEMENTS BY DIRECTORS

## PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016 IN MALAYSIA

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 78 to 165 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and their cash flows for the financial year ended.

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

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

**KUALA LUMPUR**

# STATUTORY DECLARATION

## PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016 IN MALAYSIA

I, Hon Tian Kok @ William (MIA Membership No: 32907), being the Director primarily responsible for the financial management of Bioalpha Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 78 to 165 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the )
abovenamed at Kuala Lumpur in the )
Federal Territory on 19 May 2020 ) **HON TIAN KOK @ WILLIAM**

**Before me,**

**No. W710**
**MOHAN A.S. MANIAM**
**COMMISSIONER OF OATHS**

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

***Opinion***

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 165.

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

***Basis of Opinion***

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

***Independence and Other Ethical Requirements***

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

***Key Audit Matters***

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

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
CONT'D

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

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

| Key audit matters | How we addressed the key audit matters |
|---|---|
| **1. Goodwill impairment review**<br><br>As at 31 December 2019, the carrying amount of goodwill on consolidation amounted to RM5,891,157 mainly arising from acquisition of Mediconstant Holding Sdn. Bhd.<br><br>Goodwill were tested for impairment annually in accordance to MFRS 136 Impairment of Assets. This assessment requires management to make estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on. | Our procedures performed in relation to managements' impairment assessment and testing included the following:<br><br>- assessed the reliability of the cash flows forecasts and supporting evidence of the underlying assumptions, by checking to approved budgets and comparing to recent performance and prior years' forecasted results;<br>- performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the end of the reporting period;<br>- checked the key assumptions used by management, in particular, revenue growth rate comparing to business plans, historical results and market data;<br>- assessed the adequacy and reasonableness of the disclosures in the financial statements. |

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
CONT'D

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

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

| Key audit matters | How we addressed the key audit matters |
|---|---|
| **2. Assessment of carrying amount of development expenditure**<br><br>As at 31 December 2019, the carrying amount of development expenditure amounted to RM43,673,202.<br><br>Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently judgmental.<br><br>We focused on this area because of the significance of the costs capitalised and the fact that there is judgment involved in assessing whether the criteria, set out in MFRS 138 Intangible Assets, required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits. Where the costs incurred are internally generated, there is further judgment required in the calculation, such as the accuracy of amount of time spent on the projects.<br><br>We also focused on whether there is objective evidence of the carrying value for development expenditures are impaired. | We discussed with management on their assessment as to whether development projects in-progress were still expected to deliver sufficient positive economic benefits upon their completion. For completed development projects, we considered whether the useful economic lives remained appropriate for those assets and to assess whether there is any impairment indication. Our procedures included the following:<br><br>- tested the amounts capitalised during the reporting period are in accordance with the requirements of MFRS 138 Intangible Assets;<br>- assessed the reliability of the cash flows forecast and supporting evidence of the analysis assumptions, by checking to approved budgets and company to recent performance and prior years' forecasted result;<br>- performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the development expenditure at the end of the reporting period; and<br>- checked the key assumptions used by management, in particular, revenue formula rate comparing to business plans, historical results and market data.<br>- assessed the adequacy and reasonableness of the disclosures in the financial statements. |

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
CONT'D

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

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

| Key audit matters | How we addressed the key audit matters |
|---|---|
| **3. Impairment of trade receivables**<br><br>The Group has material credit exposures in its trade receivables. Given the nature of these assets, the assessment of impairment involves significant estimation uncertainty subjective assumptions and the application of significant judgement. | The focus of our work involved auditing the Group's credit analysis and associated impairment assessments of trade receivables that were either in default or significantly overdue at the financial year end. Our procedures performed in relation to managements' impairment assessment and testing included the following:<br><br>- obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures, assign internal credit ratings, and report on these to the appropriate level of governance to ensure they worked as designed;<br>- developed our understanding of significant credit exposures which were significantly overdue, deemed to be in default, or were on watch through review of credit reports produced by account department and analysis of aged receivables;<br>- reviewed the adequacy of the impairment loss and enquired management regarding the recoverability of the selected receivables that are past due but not impaired, and review the customers' correspondence, settlement arrangement and obtained evidence of cash receipts where these has been recovered; and<br>- assessed the adequacy and reasonableness of the disclosures in the financial statements. |

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
CONT'D

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
CONT'D

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

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

## OTHER MATTERS

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

**UHY**
Firm Number: AF 1411
Chartered Accountants

**YEOH AIK CHUAN**
Approved Number: 02239/07/2020 J
Chartered Accountant

KUALA LUMPUR

19 May 2020

# STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

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

# STATEMENTS OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2019
CONT'D

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

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 2019

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| Revenue | 24 | 63,667,826 | 70,090,353 | 8,642,600 | 1,625,988 |
| Cost of sales | | (38,433,873) | (39,532,424) | – | – |
| Gross profit | | 25,233,953 | 30,557,929 | 8,642,600 | 1,625,988 |
| Other income | | 4,170,586 | 3,478,393 | 258,578 | 496,065 |
| Net loss on impairment of financial assets | 26 | (58,503) | (55,083) | (892,260) | – |
| Administrative expenses | | (18,260,260) | (18,992,077) | (1,929,260) | (2,186,408) |
| Finance costs | 25 | (564,661) | (296,569) | – | – |
| **Profit/(Loss) before taxation** | 26 | 10,521,115 | 14,692,593 | 6,079,658 | (64,355) |
| Taxation | 27 | (2,196,757) | (3,089,856) | – | (224,854) |
| **Profit/(Loss) for the financial year** | | 8,324,358 | 11,602,737 | 6,079,658 | (289,209) |
| **Other comprehensive income:** | | | | | |
| ***Item that are or may be reclassified subsequently to profit or loss*** | | | | | |
| Exchange translation differences for foreign operation | | 96,058 | (136,754) | – | – |
| **Total comprehensive income/ (loss) for the financial year** | | 8,420,416 | 11,465,983 | 6,079,658 | (289,209) |
| **Profit/(Loss) for the financial year attributable to:** | | | | | |
| Owners of the parent | | 8,315,531 | 11,570,610 | 6,079,658 | (289,209) |
| Non-controlling interests | | 8,827 | 32,127 | – | – |
| | | 8,324,358 | 11,602,737 | 6,079,658 | (289,209) |
| **Total comprehensive income/ (loss) attributable to:** | | | | | |
| Owners of the parent | | 8,400,696 | 11,449,091 | 6,079,658 | (289,209) |
| Non-controlling interests | | 19,720 | 16,892 | – | – |
| | | 8,420,416 | 11,465,983 | 6,079,658 | (289,209) |
| **Earnings per share:** | | | | | |
| Basic (sen) | 28 | 0.97 | 1.41 | | |
| Diluted (sen) | 28 | 0.97 | 1.22 | | |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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

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

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

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
CONT'D

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

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
CONT'D

| | Note | Group 2019 RM | Group 2018 RM | Company 2019 RM | Company 2018 RM |
|---|---|---|---|---|---|
| **Cash Flows From Financing Activities** | | | | | |
| Net changes on banker's acceptance | | 486,000 | (53,000) | – | – |
| Net changes in amount due from/to subsidiary companies | | – | – | (11,660,422) | (19,766,406) |
| Dividends paid | | – | (1,700,250) | – | (1,700,250) |
| Decreased/(Increased) in fixed deposits pledged and maturity more than 3 months | | 12,464,996 | (8,128,300) | 3,500,000 | 1,000,000 |
| Proceeds from issue of share capital | | – | 12,179,626 | – | 12,179,626 |
| Purchase of treasury shares | 17(a) | (145,527) | – | (145,527) | – |
| Proceeds from term loan | | – | 3,000,000 | – | – |
| Repayment of lease liabilities | | (1,193,790) | – | – | – |
| Repayment of finance lease liabilities | | – | (342,387) | – | – |
| Repayment of term loans | | (595,332) | (510,707) | – | – |
| Net cash from/(used in) financing activities | | 11,016,347 | 4,444,982 | (8,305,949) | (8,287,030) |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,855,330 | (10,691,870) | (1,196,152) | (7,758,967) |
| Effect of exchange translation differences | | 27,562 | (34,439) | (41) | – |
| **Cash and cash equivalents at the beginning of the financial year** | | 6,085,246 | 16,811,555 | 1,221,385 | 8,980,352 |
| **Cash and cash equivalents at the end of the financial year** | | 7,968,138 | 6,085,246 | 25,192 | 1,221,385 |
| **Cash and cash equivalents at the end of the financial year comprises:** | | | | | |
| Cash and bank balances | | 2,853,133 | 4,525,994 | 25,192 | 21,385 |
| Fixed deposits with licensed banks | 15 | 9,681,898 | 18,590,714 | 3,500,000 | 8,200,000 |
| Bank overdraft | 20 | (427) | – | – | – |
| | | 12,534,604 | 23,116,708 | 3,525,192 | 8,221,385 |
| Less: Fixed deposits pledged with licensed banks | 15 | (1,066,466) | (1,031,462) | – | – |
| Less: Fixed deposits maturity more than 3 months | 15 | (3,500,000) | (16,000,000) | (3,500,000) | (7,000,000) |
| | | 7,968,138 | 6,085,246 | 25,192 | 1,221,385 |

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

## 1. CORPORATE INFORMATION

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

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

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

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

## 2. BASIS OF PREPARATION

### (a) Statements of compliance

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

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

**Adoption of new and amended standards**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 2. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 16 *Leases*

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 2. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 16 *Leases* (Cont'd)

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

Statement of Financial Position

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

**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 |
|---|---|---|
| Amendments to References to the Conceptual Framework in MFRS Standards | | 1 January 2020 |
| Amendments to MFRS 3 | Definition of a Business | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 | Interest Rate Benchmark Reform | 1 January 2020 |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material | 1 January 2020 |
| MFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 2. BASIS OF PREPARATION (CONT'D)

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

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

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

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

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

### (b) Functional and presentation currency

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

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

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

**Judgements**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 2. BASIS OF PREPARATION (CONT'D)

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

**Key sources of estimation uncertainty**

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

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

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

Development expenditure

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

Recoverability of development expenditure

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 2. BASIS OF PREPARATION (CONT'D)

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

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

Inventories valuation

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

Determination of transaction prices

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

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

Provision for expected credit loss of financial assets at amortised cost

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

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

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

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

Discount rate used in leases

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 2. BASIS OF PREPARATION (CONT'D)

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

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

Income taxes

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

**(a) Basis of consolidation**

**(i) Subsidiary companies**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 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 in profit or loss as incurred.

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### (iii) Disposal of subsidiary companies

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

#### (iv) Goodwill on consolidation

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

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

### (b) Foreign currency translation

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### (ii) Foreign operations

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

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

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

### (c) Property, plant and equipment

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

#### (i) Recognition and measurement

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**(i) Recognition and measurement (Cont'd)**

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**(iii) Depreciation (Cont'd)**

Leasehold land and building

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

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

**(d) Biological assets**

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

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

**(e) Leases**

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

**(a) As lessee**

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

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

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

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

The ROU assets are subject to impairment.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(e) Leases (Cont'd)**

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

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

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

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

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

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

**(b) As lessor**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(e) Leases (Cont'd)**

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

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

**As lessee**

**(i) Finance lease**

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

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

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

**(ii) Operating lease**

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

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

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

**As lessor**

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 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 period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (ii) Intangible assets acquired separately

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

#### (iii) Derecognition of intangible assets

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

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

### (g) Financial assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(h) Financial liabilities**

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

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

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

**(i) Financial guarantee contracts**

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

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

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

**(j) Offsetting of financial instruments**

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

**(k) Inventories**

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

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

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

**(l) Cash and cash equivalents**

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Impairment of assets

#### (i) Non-financial assets

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

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

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

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

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

#### (ii) Financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

**(n) Provisions**

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

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

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

**(o) Share capital**

**(i) Ordinary shares**

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### (ii) Treasury shares

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

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

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

### (p) Borrowing costs

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

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

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

### (q) Employee benefits

#### (i) Short term employee benefits

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**(ii) Defined contribution plans**

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

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

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

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

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

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

**(r) Segments reporting**

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

**(s) Revenue recognition**

(i) *Revenue from contracts with customers*

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) *Revenue from contracts with customers (Cont'd)*

(a) Sales of goods

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

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

(b) Management fee

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

(ii) *Revenue from other sources*

(a) Interest income

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

(b) Rental income

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

(c) Dividend income

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

**(t) Income taxes**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) 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.

### (u) Government grants

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

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

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

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

### (v) Contingencies

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

CONT'D

## 4. PROPERTY, PLANT AND EQUIPMENT

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

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

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

(a) Assets pledged as securities to a licensed bank

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

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

(b) The remaining lease period of the leasehold land and buildings are ranging from Nil to Nil years (2018: 87 to 95 years).

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

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Plant and machineries | 450,000 | 525,000 |

(d) Assets held under finance leases

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Motor vehicles | – | 1,183,510 |

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

(e) Purchases of property, plant and equipment

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES

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

Details of the subsidiary companies are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

| Name of company | Place of Business / Country of Incorporation | Effective Interest 2019 % | Effective Interest 2018 % | Principal activities |
|---|---|---|---|---|
| ***Held through Mediconstant Holding Sdn. Bhd.: (Cont'd)*** | | | | |
| Mediconstant Pharmacy (Desa Tasik) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| Mediconstant Dynamic Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| Mediconstant Pharmacy (Klang) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| Mediconstant Pharmacy (Puchong) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| Mediconstant Pharmacy (Sea Park) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| Mediconstant Pharmacy (Setapak) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| **Held through Mediconstant Holding Sdn. Bhd.:** | | | | |
| Mediconstant Pharmacy (Taman Desa) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |
| Mediconstant Pharmacy (TTDI) Sdn. Bhd. | Malaysia | 100 | 100 | Pharmacy, druggists and chemicals |

* *Subsidiary companies not audited by UHY*

(a) Changes in group structure

***During the financial year:***

**Acquisition of subsidiary company**

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

***During the financial year: (Cont'd)***

**Acquisition of business**

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

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

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

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

Fair value of consideration transferred

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

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

Fair value of identifiable assets acquired

| | Group 2019 RM |
|---|---|
| Property, plant and equipment | 150,000 |
| Deposit receivables | 21,250 |
| Inventories | 218,750 |
| | 390,000 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

***During the financial year: (Cont'd)***

**Acquisition of business (Cont'd)**

Net cash outflows arising from acquisition of business

| | Group 2019 RM |
|---|---|
| Purchase consideration settled in cash | 440,000 |

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

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

***In previous financial year:***

**Acquisition of business**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

***In previous financial year: (Cont'd)***

**Acquisition of business (Cont'd)**

Fair value of consideration transferred

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

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

Fair value of identifiable assets acquired

| | Group 2018 RM |
|---|---|
| Property, plant and equipment | 292,873 |

Net cash outflows arising from acquisition of business

| | Group 2018 RM |
|---|---|
| Purchase consideration settled in cash | 800,000 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Material partly-owned subsidiary companies

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

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

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

| | BASB RM | BJHSB RM | ALPHA RM | PTHM RM |
|---|---|---|---|---|
| **2019** | | | | |
| Revenue | 1,035,844 | 1,102,445 | 1,310 | 56,873 |
| Profit/(loss) for the financial year, representing total comprehensive income/ (loss) for the financial year | 52,384 | 381,698 | (122,078) | (444,675) |
| **2018** | | | | |
| Revenue | 1,243,075 | 801,332 | 13,499 | 378,225 |
| Profit/(loss) for the financial year, representing total comprehensive income/ (loss) for the financial year | 115,467 | 128,049 | (79,330) | (167,627) |

(iii) Summarised statements of cash flows

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 6. RIGHT-OF-USE ASSETS

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

(a) Assets pledged as securities to a licensed bank

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Land and buildings | 7,166,067 | – |

(b) Assets held under finance leases

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Motor vehicles | 709,046 | – |

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 6. RIGHT-OF-USE ASSETS (CONT'D)

(c) Purchases of right-of-use assets

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

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

## 7. GOODWILL ON CONSOLIDATION

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

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

(a) Recoverable amount on value in use

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

(i) Pre-tax cash flow projection based on the most recent financial budgets covering a five years period;

(ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is ranged from 4% to 7% (2018: 10% to 16%); and

(iii) Pre-tax discount rate of 9% (2018: 11%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was based estimated based on the Group's weighted average cost of capital.

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 7. GOODWILL ON CONSOLIDATION (CONT'D)

(b) Sensitivity to changes in assumptions

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

## 8. INTANGIBLE ASSETS

| | Development expenditures RM | Patents RM | Total RM |
|---|---|---|---|
| **2019** | | | |
| **Cost** | | | |
| At 1 January 2019 | 47,769,697 | – | 47,769,697 |
| Additions | 11,812,456 | 877,354 | 12,689,810 |
| Exchange differences | (10,354) | – | (10,354) |
| At 31 December 2019 | 59,571,799 | 877,354 | 60,449,153 |
| **Accumulated amortisation** | | | |
| At 1 January 2019 | 12,192,178 | – | 12,192,178 |
| Amortisation for the financial year | 3,706,419 | 11,906 | 3,718,325 |
| At 31 December 2019 | 15,898,597 | 11,906 | 15,910,503 |
| **Carrying amount** | | | |
| 31 December 2019 | 43,673,202 | 865,448 | 44,538,650 |
| **2018** | | | |
| **Cost** | | | |
| At 1 January 2018 | 39,157,202 | – | 39,157,202 |
| Additions | 8,612,495 | – | 8,612,495 |
| At 31 December 2018 | 47,769,697 | – | 47,769,697 |
| **Accumulated amortisation** | | | |
| At 1 January 2018 | 8,625,191 | – | 8,625,191 |
| Amortisation for the financial year | 3,566,987 | – | 3,566,987 |
| At 31 December 2018 | 12,192,178 | – | 12,192,178 |
| **Carrying amount** | | | |
| 31 December 2018 | 35,577,519 | – | 35,577,519 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 8. INTANGIBLE ASSETS (CONT'D)

Development expenditures

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

(a) Recoverable amount on value in use

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

(i) Pre-tax cash flow projection based on the most recent financial budgets covering between five to fifteen years period;

(ii) The anticipated annual revenue growth rate used in the cash flow budgets and plans of the CGU is ranged from 4% to 9% (2018: 7% to 9%); and

(iii) Pre-tax discount rate of 9% (2018: 11%) per annum has been applied in determining the recoverable amount of the CGU. The discount rate was based estimated based on the Group's weighted average cost of capital.

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

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

(b) Sensitivity to changes in assumptions

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 9. BIOLOGICAL ASSETS

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

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

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

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Staff costs (Note 31) | 53,654 | 272,733 |

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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## 10. INVENTORIES

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

## 11. TRADE RECEIVABLES

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

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

## 12. OTHER RECEIVABLES

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 12. OTHER RECEIVABLES (CONT'D)

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

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

## 13. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

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

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

## 14. OTHER INVESTMENTS

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

## 15. FIXED DEPOSITS WITH LICENSED BANKS

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 15. FIXED DEPOSITS WITH LICENSED BANKS (CONT'D)

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

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

## 16. SHARE CAPITAL

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

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

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

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

## 17. RESERVES

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 17. RESERVES (CONT'D)

(a) Treasury shares

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

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of Shares | | Amount | |
| | 2019 Unit | 2018 Unit | 2019 RM | 2018 RM |
| At 1 January | – | – | – | – |
| Share repurchased | 761,800 | – | 145,527 | – |
| At 31 December | 761,800 | – | 145,527 | – |

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

(b) Warrant reserve

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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## 17. RESERVES (CONT'D)

(c) Share Issuance Scheme Option reserve

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

The salient features of the SIS Options are as follows:

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 17. RESERVES (CONT'D)

(c) Share Issuance Scheme Option reserve (Cont'd)

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

| SIS Options | Weighted Average Exercise Price | | Exercise Period |
|---|---|---|---|
| | 2019 RM | 2018 RM | |
| 27 February 2017 | 0.227 | 0.205 | 27.02.2017 - 26.02.2022 |

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

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

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

(d) Merger deficits

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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## 17. RESERVES (CONT'D)

(e) Foreign currency translation reserve

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

(f) Other reserve

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

## 18. FINANCE LEASE LIABILITIES

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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## 19. LEASE LIABILITIES

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 20. BORROWINGS

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

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

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

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

| | Group | |
|---|---|---|
| | 2019 % | 2018 % |
| Bank overdraft | 6.76 | – |
| Banker's acceptances | 5.30 | 5.10 |
| Term loans | 5.00-5.13 | 4.80-5.13 |

The maturities of borrowings of the Group are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS
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CONT'D

## 21. DEFERRED TAX LIABILITIES

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

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

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

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

**Deferred tax liabilities of the Group:**

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 21. DEFERRED TAX LIABILITIES (CONT'D)

**Deferred tax assets of the Group:**

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

**Deferred tax liabilities of the Company:**

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 21. DEFERRED TAX LIABILITIES (CONT'D)

**Deferred tax assets of the Company:**

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

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

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

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

## 22. TRADE PAYABLES

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 23. OTHER PAYABLES

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

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

The movement of the deferred capital grant is as follows:

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

## 24. REVENUE

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 25. FINANCE COSTS

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

## 26. PROFIT/(LOSS) BEFORE TAXATION

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Auditors' remuneration: | | | | |
| - current year | 202,899 | 162,425 | 40,000 | 35,000 |
| - over/(under) provision in prior years | 2,000 | (5,000) | – | (5,000) |
| - others | 30,000 | 5,000 | 30,000 | – |
| Amortisation of intangible assets | 3,718,325 | 3,566,987 | – | – |
| Amortisation of deferred capital grant | (368,391) | (734,080) | – | – |
| Amortisation of biological assets | 125,341 | 106,441 | – | – |
| Amortisation of right-of-use assets | 1,448,373 | – | – | – |
| Depreciation of property, plant and equipment | 6,454,263 | 5,420,663 | 1,306 | 605 |
| Deposits written off | 2,935 | 1,500 | – | – |
| Non-executive Directors' remuneration: | | | | |
| - fee | 268,180 | 261,600 | 232,180 | 225,600 |
| - salaries and other emoluments | 54,070 | 60,800 | 54,070 | 60,800 |
| Gain on disposals of property, plant and equipment | – | (22,526) | – | – |
| Loss on foreign exchange: | | | | |
| - realised | 10,184 | 447,729 | – | – |
| - unrealised | 15,169 | 398,117 | 41 | 61 |
| Grant income | (1,707,300) | (1,402,547) | – | – |

# NOTES TO THE FINANCIAL STATEMENTS
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## 26. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Impairment losses on financial assets: | | | | |
| - trade receivables | 208,237 | 96,133 | – | – |
| - amount due from subsidiary companies | – | – | 892,260 | – |
| Reversals of impairment losses on financial assets | | | | |
| - trade receivables | (149,734) | (35,848) | – | – |
| - other receivables | – | (5,202) | – | – |
| Net impairment losses on financial assets | 58,503 | 55,083 | 892,260 | – |
| Interest income | (483,846) | (543,781) | (258,578) | (461,185) |
| Inventories written off | – | 15,455 | – | – |
| Property, plant and equipment written off | 650,490 | 587,476 | – | – |
| Rental income | (33,100) | (39,266) | – | – |
| Rental of equipment | 832 | 43,240 | – | – |
| Rental of premises | 45,473 | 1,081,596 | – | – |
| Rental of motor vehicle | 7,608 | 10,060 | – | – |
| Waiver of amount due to trade payables | – | (86,261) | – | – |
| Waiver of amount due to other payables | (108,921) | (76,168) | – | – |

## 27. TAXATION

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 27. TAXATION (CONT'D)

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 28. EARNINGS PER SHARE

### (a) Basic earnings per share

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

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

### (b) Diluted earnings per share

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 28. EARNINGS PER SHARE (CONT'D)

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

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

## 29. DIVIDENDS

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

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

## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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## 31. STAFF COSTS

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

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

## 32. RELATED PARTY DISCLOSURES

(a) Identifying related parties

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 32. 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:

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

(c) Compensation of key management personnel

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

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

## 33. SEGMENT INFORMATION

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

| | |
|---|---|
| Trading and manufacturing | Research, development, manufacture, importer, exporters, distribution and trader of nutritional and healthcare products. |
| Retails pharmacy | Pharmacist, druggist and chemicals |
| Others | Investment holding and provision of management |

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

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

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

## 33. SEGMENT INFORMATION (CONT'D)

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 33. SEGMENT INFORMATION (CONT'D)

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 33. SEGMENT INFORMATION (CONT'D)

Adjustments and eliminations

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

Inter-segment revenues are eliminated on consolidation.

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

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

Geographic information

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| Malaysia | 36,280,032 | 44,893,989 |
| Indonesia | 10,923,546 | 13,546,290 |
| China | 16,464,248 | 11,650,074 |
| | 63,667,826 | 70,090,353 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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## 34. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 34. FINANCIAL INSTRUMENTS (CONT'D)

### (b) Financial risk management

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

#### (i) Credit risk

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

**Trade receivables**

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

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

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

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

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

*Exposure to credit risk, credit quality and collateral*

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

*Concentration of credit risk*

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

# NOTES TO THE FINANCIAL STATEMENTS
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## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

**Trade receivables (Cont'd)**

*Recognition and measurement of impairment loss*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

**Trade receivables (Cont'd)**

*Recognition and measurement of impairment loss (Cont'd)*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

**Trade receivables (Cont'd)**

*Recognition and measurement of impairment loss (Cont'd)*

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

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

**Cash and cash equivalents**

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

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

*Exposure to credit risk, credit quality and collateral*

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

*Recognition and measurement of impairment loss*

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

**Other receivables**

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

**Other receivables (Cont'd)**

*Exposure to credit risk, credit quality and collateral*

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

*Recognition and measurement of impairment loss*

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

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

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| At 1 January | 275 | 5,477 |
| Impairment loss recognised | – | (5,202) |
| At 31 December | 275 | 275 |

**Financial guarantees**

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

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

*Exposure to credit risk, credit quality and collateral*

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

*Recognition and measurement of impairment loss*

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

**Inter-company loans and advances**

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

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

*Exposure to credit risk, credit quality and collateral*

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

*Recognition and measurement of impairment loss*

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

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

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| At 1 January | – | – |
| Impairment loss recognised | 892,260 | – |
| At 31 December | 892,260 | – |

#### (ii) Liquidity risk

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

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

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

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

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

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

#### (iii) Market risks

##### (a) Foreign currency risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

#### (iii) Market risks (Cont'd)

##### (a) Foreign currency risk (Cont'd)

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

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

Foreign currency sensitivity analysis

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

| | | Effect on profit before tax | |
|---|---|---|---|
| | Change in currency rate | 2019 RM | 2018 RM |
| USD | Strengthend 10% | 3,708,199 | 3,327,092 |
| | Weakend 10% | (3,708,199) | (3,327,092) |
| SGD | Strengthend 10% | 3,345 | 3,098 |
| | Weakend 10% | (3,345) | (3,098) |
| IDR | Strengthend 10% | 3,244 | – |
| | Weakend 10% | (3,244) | – |
| HKD | Strengthend 10% | 8,426 | – |
| | Weakend 10% | (8,426) | – |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

#### (iii) Market risks (Cont'd)

##### (b) Interest rate risk

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

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

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| **Fixed rate instruments** | | | | |
| **Financial asset:** | | | | |
| Fixed deposits with licensed banks | 9,681,898 | 18,590,714 | 3,500,000 | 8,200,000 |
| **Fixed rate instruments** | | | | |
| **Financial liabilities:** | | | | |
| Finance lease liabilities | – | 573,874 | – | – |
| Lease liabilities | 6,532,386 | – | – | – |
| | 6,532,386 | 573,874 | – | – |
| **Floating rate instruments** | | | | |
| **Financial liabilities:** | | | | |
| Borrowings | 5,467,264 | 5,576,169 | – | – |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

**(iii) Market risks (Cont'd)**

**(b) Interest rate risk (Cont'd)**

**Interest rate risk sensitivity**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

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

**(c) Fair value of financial instruments**

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

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

| | Fair value of financial instruments not carried at fair value | | | Carrying amount |
|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | RM |
| **Group** | | | | |
| **2018** | | | | |
| **Financial liability** | | | | |
| Fianance lease liabilities | – | 371,039 | – | 415,906 |
| | – | 371,039 | – | 415,906 |

(i) Policy on transfer between levels

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

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

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 34. FINANCIAL INSTRUMENTS (CONT'D)

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

(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).

Non-derivative financial instruments

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

(iv) Level 3 fair value

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

## 35. CAPITAL COMMITMENT

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Authorised and contracted for** | | |
| Purchase of property, plant and equipment | 4,500,000 | 5,499,429 |

## 36. FINANCIAL GUARANTEES

| | Group | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Unsecured** | | |
| Performance bonds in relation to the management of the Herbal Integrated Cluster Development | 500,000 | 200,000 |

| | Company | |
|---|---|---|
| | 2019 RM | 2018 RM |
| **Unsecured** | | |
| Corporate guarantees given to the licensed financial institution for credit facility granted to a subsidiary company | 3,734,620 | 4,184,973 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
CONT'D

## 37. CAPITAL MANAGEMENT

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

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

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

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

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

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

## 38. SUBSEQUENT EVENT

*Effect of outbreak of coronavirus pandemic*

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

## 39. DATE OF AUTHORISATION FOR ISSUE

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

# LIST OF 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 2019 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:<br>• a semi-detached two (2)-storey building annexed with an open shed for our manufacturing facility;<br>• two (2) utility cabins* for our restroom and surau; and<br>• a guardhouse | April 30, 2012 | 8,137 / 11,000 | 99 years expiring on 20.08.2105 | 3,671 | March 10, 2013 | 86 years |
| Mediconstant Pharmacy Sdn Bhd | 83, Jalan 34/154, Taman Dahlia, Cheras, 56000 Kuala Lumpur | Two (2) units of adjoining double storey shop lots for our retail pharmacy | N/A | 1,647 | 7 freehold | 1,569 | Sept 27, 2016 | 32 years |
| BISB | No. 1, Jalan Perindustrian Suntrack, Hub Perindustrian Suntrack Off Jalan P1A, Seksyen 13 Bandar Baru Bangi, 43000 Kajang Selangor Darul Ehsan, Malaysia | Units of 3 Storey Semi-detached Factory with Office | July 07, 2014 | 6,966 / 10,606 | 99 years expiring on 20.08.2113 | 5,729 | March 09, 2018 | 94 years |

# LIST OF PROPERTIES
CONT'D

## LEASED

| Tenant | Landlord | Location | Description and Existing Use | Built-Up Area/ Land Area | Rental RM | Rental/ Lease Period |
|---|---|---|---|---|---|---|
| BHB, BISB and BECA | Lembaga Tabung Amanah Warisan Negeri Terengganu | 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:<br>• an administration and management building;<br>• a fertilizer storage facility;<br>• an equipment store cum repair and maintenance workshop;<br>• residential buildings as follows:<br>(i) one (1) unit of bungalow;<br>(ii) twelve (12) units of office terrace;<br>(iii) nine (9) units of family terrace;<br>(iv) two (2) blocks of hostel;<br>(v) surau;<br>(vi) convenience store;<br>• common facilities as follows:<br>(i) skid tank;<br>(ii) guardhouse; and<br>(iii) water storage tank. | [2] / 123.5 to 1,003 acres | 152,527.50 per annum | 07.04.2014 to 06.04.2044 |
| BJHSB | Perbadanan Setiausaha Kerajaan Johor | PTD 4825 H.S.(D) 31408 and PTD 5140 H.S.(D) 34765, Mukim Pantai Timur, Daerah Kota Tinggi, Johor. | Agricultural land for cultivation and farming of herbal and non-herbal plants | 300 acres | [3] | [3] |
| BJHSB | Thung Wan Ee | 2 storey shoplot No. 93 & 93-01, Jalan Kempas 1, Taman Desaru Utama, 81930 Bandar Penawar, Johor | Centre of collection, packaging, and processing and also office meeting. | 1,540 sq. ft. | 3,400 per month | 01.05.2020 to 30.04.2021 |
| BDSB | Dewina LSG Sdn Bhd | No. 12, Jalan P/9A, Section 13 Bandar Baru Bangi, Selangor. | Industrial land with a semi-detached one (1) ½-storey building for our manufacturing facility | 5,600 sq. ft. / 11,000 sq. ft. | 8,800 per month | 01.02.2019 to 31.01.2021 |
| BDSB | Wong Oon Chien & Choong Yoke Lan | No. 190, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor. | One (1) unit of 1 ½-storey terrace factory | 3,300 sq. ft. / [1] | 1,500 per month | 01.09.2019 to 31.08.2020 |

# LIST OF PROPERTIES
CONT'D

## LEASED (CONT'D)

| Tenant | Landlord | Location | Description and Existing Use | Built-Up Area/ Land Area | Rental RM | Rental/ Lease Period |
|---|---|---|---|---|---|---|
| BDSB | Tan Eng Sin & Choong Yoke Lan | No. 191, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor. | One (1) unit of 1 ½-storey terrace factory | 3,300 sq. ft. / (1) | 1,500 per month | 01.09.2019 to 31.08.2020 |
| Mediconstant Pharmacy Sdn Bhd | Simco Assets Sdn Bhd | No. 18 Jalan Ruang U8/109, Bukit Jelutong, 40150 Shah Alam, Selangor | Semi-detached Factory with Office | 6,500 sq. ft. | 14,500 per month | 01.05.2020 to 30.04.2028 |
| Mediconstant Dynamic Sdn Bhd | Southkey Megamall Sdn Bhd | Village Grocer @ Southkey, AT-2, The Mall, Mid Valley Southkey, No.1, Persiaran Midvalley, 81500 Johor Bahru, Johor | One (1) unit of booth for retail pharmacy | 602 sq. ft. | 2 per sq. ft. | 01.09.2019 to 31.08.2021 |
| Mediconstant Dynamic Sdn Bhd | Central Plaza I-City Real Estate Sdn Bhd | Village Grocer @ Central i-City, Lot LG-OI, Sentral I-city, Plot 1, I-city, Persiaran Multimedia, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan | One (1) unit of booth for retail pharmacy | 863 sq. ft. | 2 per sq. ft. | 01.08.2019 to 31.07.2021 |
| Mediconstant Pharmacy (Ampang) Sdn Bhd | Mr Ng Seng Kuon | 33, Jalan 45A/26, Taman Sri Rampai, Setapak, 53300 Kuala Lumpur. | One (1) unit of shop lot for retail pharmacy | 1,540 sq. ft. | 4,400 per month | 01.04.2019 to 31.03.2021 |
| Mediconstant Pharmacy (Klang) Sdn Bhd | Yeo Kim Hooi Yeo Kim Thong | 2984, Persiaran Raja Muda Musa, 41100 Klang, Selangor | One (1) unit of shop lot for retail pharmacy | 1,399 sq. ft. | 3,500 per month | 01.07.2018 to 30.06.2021 |
| Mediconstant Pharmacy (Ampang) Sdn Bhd | Drive Auto Supply Sdn Bhd | 89, Lorong Mamanda 1, Ampang Point, Jalan Ampang, 68000 Ampang, Selangor | One (1) unit of shop lot for retail pharmacy | 1,399 sq. ft. | 10,000 per month | 01.05.2019 to 30.04.2020 |
| Mediconstant Pharmacy (Ampang) Sdn Bhd | Amp Development Sdn Bhd | Desa Tasik 24, Jalan Tasik Selatan 20C/146, Taman Desa Tasik, Sungai Besi, 57000 Wilayah Persekutuan Malaysia. | One (1) unit of shop lot for retail pharmacy | 6,100 sq. ft. | 7,000 per month | 01.02.2019 to 31.01.2021 |

# LIST OF PROPERTIES
CONT'D

## LEASED (CONT'D)

| Tenant | Landlord | Location | Description and Existing Use | Built-Up Area/ Land Area | Rental RM | Rental/ Lease Period |
|---|---|---|---|---|---|---|
| Mediconstant Pharmacy (Ampang) Sdn Bhd | Ong Choy Sia<br>Ong Choy Nee<br>Ong Choi Len | Pusat Perdagangan Puchong Prima, F-01-04, Blok F, Jalan prima 5/3, Taman Puchong Prima 47100 Selangor Malaysia. | Two (2) unit of shop lot for retail pharmacy | 1,519 sq. ft. | 6,500 per month | 01.06.2020 to 31.05.2023 |
| Mediconstant Pharmacy (TTDI) Sdn Bhd | General Rewards Sdn Bhd | No.22G, Jalan Mohd Fuad 2, Taman Tun Dr Ismail, 60000 KL | One (1) unit of shop lot for retail pharmacy | 1,500 sq. ft. | 8,500 per month | 01.04.2019 to 31.12.2020 |
| Mediconstant Pharmacy (Taman Desa) Sdn Bhd | Azaki Bin Mohd Shariff | S/27, No. 55, Tingkat 1,Jalan Kebun Sultan, 15300, Kota Bharu, Kelantan | One (1) unit of shop lot for retail pharmacy | 1,480 sq. ft. | 3,000 per month | 01.05.2017 to 30.04.2020 |
| Mediconstant Pharmacy (Taman Desa) Sdn Bhd | Yew Chee Seng | PT 614@ No. 22-G Kompleks Perniagaan Humaira, Taman Hiburan, 17500 Tanah Merah Kelantan | One (1) unit of shop lot for retail pharmacy | 1,400 sq. ft. | 4,000 per month | 01.06.2020 to 31.05.2022 |
| Mediconstant Pharmacy (Taman Desa) Sdn Bhd | Lee Kok Hwa | Lot PT300, Tingkat Bawah, Jalan Bukit Mok Mek, 22000 Jerteh, Terengganu | One (1) unit of shop lot for retail pharmacy | 1208.4 sq. ft. | 1,900 per month | 01.09.2018 to 01.09.2020 |

(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) On 27 June 2019, State Secretary (Incorporated) Johor has through Bio Desaru Sdn Bhd (who has been duly granted the power to deal with and undertake the development activities of Desaru Land under the POA registered with the land office Johor on 27 February 2014) has submitted the relevant lease registration documents for Plot 1 and Plot 2 of Desaru Land to the land office. To date, the said lease registration documents in relation to the Desaru Land is being process by the land office.

# ANALYSIS OF SHAREHOLDINGS
AS AT 29 MAY 2020

## SHARE CAPITAL

| | | |
|---|---|---|
| Total Number of Issued Shares | : | 942,949,032 ordinary shares<br>*(including 3,761,800 ordinary shares bought back by the Company and retained as Treasury Shares as at 29 May 2020)* |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote for each ordinary share held |

## DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MAY 2020
*(As per Records of Depositors)*

| Size of Holding | No. of shareholders | % | No. of Shares Held | % |
|---|---|---|---|---|
| Less than 100 | 502 | 6.32 | 24,444 | 0.00 |
| 100 - 1,000 | 420 | 5.29 | 217,353 | 0.02 |
| 1,001 - 10,000 | 1,916 | 24.12 | 13,165,747 | 1.40 |
| 10,001 - 100,000 | 4,103 | 51.66 | 169,209,110 | 17.94 |
| 100,001 – 47,147,450* | 999 | 12.58 | 532,273,382 | 56.45 |
| 47,147,451 and Above ** | 2 | 0.03 | 228,058,996 | 24.19 |
| **Total** | **7,942** | **100.00** | **942,949,032#** | **100.00#** |

*Remark:*
* *Less than 5% of issued holdings*
** *5% and above of issued holdings*
\# *Including a total of 3,761,800 ordinary shares bought back by the Company and retained as Treasury Shares as at 29 May 2020*

## SUBSTANTIAL SHAREHOLDERS AS AT 29 MAY 2020
*(As per Register of Substantial Shareholders)*

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

| No. | Name of Substantial Shareholder | No. of Shares held Direct | %# | No. of Shares held Indirect | % |
|---|---|---|---|---|---|
| 1 | Perbadanan Nasional Berhad | 120,855,104 | 12.82 | – | – |
| 2 | Malaysian Technology Development Corporation Sdn Bhd | 107,203,892 | 11.37 | – | – |
| 3 | Hon Tian Kok @ William | 93,000,000 | 9.86 | – | – |

*Remark:*
\# *Calculated based on the total number of issued shares of the Company excluding a total of 3,761,800 ordinary shares bought back by the Company and retained as Treasury Shares as at 29 May 2020*

# ANALYSIS OF SHAREHOLDINGS
## AS AT 29 MAY 2020
CONT'D

### DIRECTORS' INTERESTS IN SHARES AS AT 29 MAY 2020
*(As per Register of Directors' Shareholdings)*

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

| No. | Name of Substantial Shareholder | No. of Shares held Direct | %# | No. of Shares held Indirect | % |
|---|---|---|---|---|---|
| 1 | Tan Sri Abd Rahman Bin Mamat | 500,000 | 0.05 | – | – |
| 2 | Hon Tian Kok @ William | 93,000,000 | 9.86 | – | – |
| 3 | Ho Tze Hiung | 2,000,000 | 0.21 | – | – |
| 4 | Goh Siow Cheng | – | – | – | – |
| 5 | Dato' Norhalim Bin Yunus | – | – | – | – |
| 6 | Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim | 300,000 | 0.03 | – | – |
| 7 | Mohd Nasir Bin Abdullah | – | – | – | – |
| 8 | Kang Jimmi | – | – | – | – |

*Remark:*
*# Calculated based on the total number of issued shares of the Company excluding a total of 3,761,800 ordinary shares bought back by the Company and retained as Treasury Shares as at 29 May 2020*

### LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
*(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 MAY 2020)*

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1 | PERBADANAN NASIONAL BERHAD | 120,855,104 | 12.82 |
| 2 | MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD | 107,203,892 | 11.37 |
| 3 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM (7001081) | 43,364,000 | 4.60 |
| 4 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM | 24,636,000 | 2.61 |
| 5 | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM | 15,000,000 | 1.59 |
| 6 | CHIA TEE PENG | 7,414,700 | 0.79 |
| 7 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>ICAPITAL.BIZ BERHAD | 7,086,100 | 0.75 |
| 8 | SEAH TIN KIM | 6,200,000 | 0.66 |
| 9 | ONG KENG SENG | 5,588,100 | 0.59 |
| 10 | CHIN SIEW LING | 5,572,300 | 0.59 |
| 11 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189) | 5,559,999 | 0.59 |
| 12 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM | 5,000,000 | 0.53 |
| 13 | TA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM | 5,000,000 | 0.53 |
| 14 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>RHB TRUSTEES BERHAD FOR SP TACTICAL INVESTMENT FUND | 4,900,000 | 0.52 |
| 15 | CHONG KOK FAI | 4,448,800 | 0.47 |

# ANALYSIS OF SHAREHOLDINGS
## AS AT 29 MAY 2020
CONT'D

### LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (CONT'D)
*(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 MAY 2020)*

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 16 | SOON THIAM LAM | 4,350,000 | 0.46 |
| 17 | M & A NOMINEE (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LOO CHOON SING (JB) | 4,049,600 | 0.43 |
| 18 | TAN HAN CHONG | 4,000,000 | 0.42 |
| 19 | BIOALPHA HOLDINGS BERHAD | 3,761,800 | 0.40 |
| 20 | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>TA ISLAMIC FUND | 3,700,000 | 0.39 |
| 21 | TAN CHIN CHON | 3,561,666 | 0.38 |
| 22 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAY HOCK SOON (MY1055) | 3,200,000 | 0.34 |
| 23 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHIANG KAI LOON (010) | 3,200,000 | 0.34 |
| 24 | YUNG BOON HONG @ YANG KOK CHING | 3,151,000 | 0.33 |
| 25 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LOONG DING TONG (MY3120) | 3,000,000 | 0.32 |
| 26 | CGS-CIMB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR KHAW SKI TIAN (MP0066) | 2,745,000 | 0.29 |
| 27 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHEN YOON FONG (E-JBU) | 2,630,000 | 0.28 |
| 28 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR MARY TAN @ TAN HUI NGOH (STF) | 2,550,000 | 0.27 |
| 29 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD<br>PEMBANGUNAN SUMBER MANUSIA BERHAD | 2,500,000 | 0.27 |
| 30 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR WONG KEE KEONG | 2,500,000 | 0.27 |

# ANALYSIS OF WARRANT HOLDINGS
AS AT 29 MAY 2020

| | | |
|---|---|---|
| No of Warrants 2017/2022 Issued | : | 133,333,131 free detachable warrants |
| No. of Warrants Holders | : | 1,493 |
| Exercise Price | : | RM0.22 |
| Maturity Date | : | 5 January 2022 |

## DISTRIBUTION OF WARRANT HOLDINGS AS AT 29 MAY 2020

| Size of Holding | No. of Warrants holders | % of Warrants holders | No. of Warrants | % of Warrants |
|---|---|---|---|---|
| Less than 100 | 169 | 11.32 | 7,315 | 0.01 |
| 100 - 1,000 | 74 | 4.96 | 39,299 | 0.03 |
| 1,001 - 10,000 | 338 | 22.64 | 1,978,370 | 1.48 |
| 10,001 - 100,000 | 649 | 43.47 | 28,776,765 | 21.58 |
| 100,001 - 6,666,638* | 263 | 17.61 | 102,531,036 | 76.90 |
| 6,666,639 And Above ** | – | – | – | – |
| **Total** | **1,493** | **100.00** | **133,332,785** | **100.00** |

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

## DIRECTORS' WARRANTS HOLDINGS

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

| No. | Name of Director | No. of Warrants held Direct | % | No. of Warrants held Indirect | % |
|---|---|---|---|---|---|
| 1 | Tan Sri Abd Rahman Bin Mamat | – | – | – | – |
| 2 | Hon Tian Kok @ William | – | – | – | – |
| 3 | Ho Tze Hiung | – | – | – | – |
| 4 | Goh Siow Cheng | 34 | 0.00 | – | – |
| 5 | Dato' Norhalim Bin Yunus | – | – | – | – |
| 6 | Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim | – | – | – | – |
| 7 | Mohd Nasir Bin Abdullah | – | – | – | – |
| 8 | Kang Jimmi | – | – | – | – |

# ANALYSIS OF WARRANT HOLDINGS
## AS AT 29 MAY 2020
CONT'D

### LIST OF TOP 30 LARGEST WARRANTS HOLDERS
*(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 MAY 2020)*

| No. | Name of Warrants Holders | No. of Warrants Held | % of Warrants Held |
|---|---|---|---|
| 1 | PERBADANAN NASIONAL BERHAD | 6,250,501 | 4.69 |
| 2 | CHEW AH CHAY | 3,851,800 | 2.89 |
| 3 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LOH CHOO WEI (E-KUG) | 2,700,000 | 2.03 |
| 4 | GOH CHUN HAU | 2,000,000 | 1.50 |
| 5 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR TEO POH BOON (PB) | 2,000,000 | 1.50 |
| 6 | LOH YU TEE | 1,851,500 | 1.39 |
| 7 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TAN FUI SIM | 1,809,313 | 1.36 |
| 8 | GEORGE LEE SANG KIAN | 1,518,000 | 1.14 |
| 9 | GOH CHENG FOONG | 1,500,000 | 1.13 |
| 10 | LEE KHIM NGIE | 1,488,200 | 1.12 |
| 11 | FOOT CHIN WAI HONG | 1,322,400 | 0.99 |
| 12 | NG TEONG SIANG | 1,250,000 | 0.94 |
| 13 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHRISTINA LOH YOKE LIN (8111756) | 1,209,100 | 0.91 |
| 14 | FAMI TAUFEQ BIN FAKARUDIN | 1,200,050 | 0.90 |
| 15 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR NIZAM SHAH BIN MOHD NOO (CEB) | 1,025,000 | 0.77 |
| 16 | TAN HAN CHONG | 1,000,000 | 0.75 |
| 17 | TEO KIAN JIN | 951,800 | 0.71 |
| 18 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>TAN SHIEH LEE | 922,000 | 0.69 |
| 19 | MOHAMAD HAZIQ BIN MOHD HAFIDZUDDIN RAJA | 880,000 | 0.66 |
| 20 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>RAKUTEN TRADE SDN BHD FOR WONG CHUO DING | 862,600 | 0.65 |
| 21 | TAN SHYI LIN | 855,000 | 0.64 |
| 22 | LEE HIEW CHET | 815,000 | 0.61 |
| 23 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG) | 810,000 | 0.61 |
| 24 | KOH CHENG GIOK | 809,934 | 0.61 |
| 25 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR CHU CHEE LEONG (CHU0198C) | 800,000 | 0.60 |
| 26 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LIM BAK CHOON (E-SRB) | 800,000 | 0.60 |
| 27 | LIEW LEE YING | 800,000 | 0.60 |
| 28 | CHOO KIM HIN | 800,000 | 0.60 |
| 29 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TEE CHENG TIONG (E-BPT) | 800,000 | 0.60 |
| 30 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR TONG KOK WAH (E-TSA) | 761,000 | 0.57 |

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Ninth (9th) Annual General Meeting of Bioalpha Holdings Berhad ("Bioalpha" or "the Company") will be held at Bioalpha Bangi Office, No. 1, Jalan Perindustrian Suntrack, Hub Perindustrian Suntrack, Off Jalan P1A, Seksyen 13 Bandar Baru Bangi, 43000 Kajang Selangor Darul Ehsan, Malaysia on Monday, 17 August 2020 at 10.00 a.m. or any adjournment thereof for the purpose of transacting the following businesses:

**AS ORDINARY BUSINESS:**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. (Note 1)

2. To approve the payment of Directors' fees and other benefits payable up to RM350,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from the conclusion of the 9th AGM until the conclusion of the next AGM of the Company. (Ordinary Resolution 1)

3. To re-elect the following Directors who are retiring by rotation in accordance with Clause 105(1) of the Company's Constitution and being eligible, offered themselves, for re-election:

   i. Mr. Hon Tian Kok @ William (Ordinary Resolution 2)
   ii. Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Ordinary Resolution 3)

4. To re-elect the following Directors who are retiring in accordance with Clause 114 of the Company's Constitution and being eligible, offered themselves, for re-election:

   i. Ms Goh Siow Cheng (Ordinary Resolution 4)
   ii. Mr Kang Jimmi (Ordinary Resolution 5)

5. 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)

**AS SPECIAL BUSINESS:**

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

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** (Ordinary Resolution 7)

THAT subject to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons 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 to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities;

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to their letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act."

7. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")** (Ordinary Resolution 8)

"THAT subject to the Act, the provisions of Constitution of the Company, the AMLR of Bursa Securities and all other applicable laws, rules and regulations, be and is hereby given to the Company to purchase such number of ordinary shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Director may deem fit, necessary and expedient in the interest of the Company, provided that:-

i) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company including the shares previously purchased and retained as Treasury Shares (if any);

ii) the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements available at the time of the purchase, upon such terms and conditions as set out in the Statement to Shareholders dated 30 June 2020.

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

THAT the authority conferred by this resolution shall continue to be in force until the earlier of:

i) the conclusion of the next AGM of the Company following this AGM at which this resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at the next AGM of the Company, the authority is renewed, either unconditionally or subject to conditions;

ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

iii) the authority is revoked and varied by ordinary resolution passed by the shareholders in a general meeting, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

THAT upon completion of the purchase by the Company of its own ordinary shares, the Directors be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manners:-

i) cancel at the ordinary shares so purchased; and/or

ii) retain the ordinary shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or transfer under an employees' share scheme and/or transfer as purchase consideration; and/or

iii) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Board of Directors be and are hereby authorised to take all such steps as necessary (including the opening and maintaining of depository account(s) under the Securities Industry (Central Depositories) Act, 1991 and enter into any agreements, arrangement and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Board may in their discretion deem necessary and to do all such acts and things the Directors may deem fit and expedient in the best interest of the Company."

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

8. **PROPOSED GRANTING OF SHARE ISSUANCE SCHEME ("SIS") OPTIONS TO MS GOH SIOW CHENG** (Ordinary Resolution 9)

"THAT the Board be and is hereby authorised, at any time and from time to time during the existence of the SIS, to offer and grant to Ms Goh Siow Cheng, being Group Chief Financial Officer/Finance Director of the Company, options to subscribe for new ordinary shares in Bioalpha ("Bioalpha Shares") ("SIS Options") and if such options are accepted and exercised, to allot and issue such number of new Bioalpha Shares as may be required to be issued to her under the SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Ms Goh Siow Cheng, as long as Ms Goh Siow Cheng either singly or collectively through persons connected with her (as defined in the AMLR of Bursa Securities), holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares) of Bioalpha subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

9. **PROPOSED GRANTING OF SIS OPTIONS TO MR KANG JIMMI** (Ordinary Resolution 10)

"THAT the Board be and is hereby authorised, at any time and from time to time during the existence of the SIS, to offer and grant to Mr Kang Jimmi, being the Independent Non-Executive Director of the Company, options to subscribe for new ordinary shares in Bioalpha ("Bioalpha Shares") ("SIS Options") and if such options are accepted and exercised, to allot and issue such number of new Bioalpha Shares as may be required to be issued to him under the SIS, in accordance with the provisions of the By-Laws, provided that not more than ten percent (10%) of the total number of SIS Options shall be allocated to Mr Kang Jimmi as long as Mr Kang Jimmi either singly or collectively through persons connected with his (as defined in the AMLR of Bursa Securities), holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares) of Bioalpha subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

10. To transact any other business of which due notices shall have been given in accordance with the Act.

BY ORDER OF THE BOARD

**TAN TONG LANG (MAICSA 7045482/ PC NO. 201908002253)**
**THIEN LEE MEE (LS0009760/PC No. 201908002254)**
Company Secretaries

Kuala Lumpur
Date: 30 June 2020

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

***Notes:-***

1. *A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. A member shall be entitled to appoint one (1) or more proxies to attend and vote at the same meeting, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*

2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares to the credit of the said securities account.*

3. *Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

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 the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd of 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.*

6. *Only the members whose names appear on the Record of Depositors as at 10 August 2020 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.*

7. *Pursuant to Rule 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

**COVID-19 Outbreak Measure Notes**

The health and safety of our members and staff who will attend the 9th AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the 9th AGM:

a. Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the 9th AGM in person.
b. Members are encouraged to appoint the Chairman of the meeting (or any other person) to act as proxy to attend and vote at the 9th AGM on their behalf by submitting the proxy form with predetermined voting instruction.
c. Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the 9th AGM in person.
d. Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the 9th AGM in person.
e. In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the 9th AGM in person.
f. Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the meeting in person.
g. Members or proxies are advised to observe/maintain social distancing throughout the meeting.
h. NO door gift will be provided to the Members or proxies.

In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 9th AGM at short notice. Kindly check Bursa Securities's and Company's website at www.bioa.com.my for the latest updates on the status of the said meeting.

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

**Explanatory Notes to Ordinary and Special Business:-**

**1. Audited Financial Statements for the financial year ended 31 December 2019**

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

**2. Ordinary Resolution 1: To approve the payment of Directors' Fees and other benefits payable**

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of public company or a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Directors' benefits payable comprises of meeting attendance allowances and other claimable benefits.

In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated claimable benefits and estimated number of meetings for the Board and Board Committees held for the period commencing from the conclusion of the 9th AGM until the next AGM of the Company.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

**3. Ordinary Resolution 2 & 3 : Re-election of Directors who retire by rotation in accordance with Clause 105(1) of the Company's Constitution**

Clause 105 of the Company's Constitution provides that an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, PROVIDED ALWAYS that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Mr. Hon Tian Kok @ William and Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 9th AGM, the Nomination Committee has considered and recommended Mr. Hon Tian Kok @ William and Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim for re-election as Directors pursuant to Clause 105(1) of the Company's Constitution.

**4. Ordinary Resolution 4 & 5: Re-election of Directors who retire in accordance with Clause 114 of the Company's Constitution**

Clause 114 of the Company's Constitution provides that any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Ms. Goh Siow Cheng was appointed as Group Chief Financial Officer/Finance Director of the Company on 6 March 2020 and Mr. Kang Jimmi was appointed as Independent Non-Executive Director of the Company on 22 May 2020 respectively.

Any Director referred to in Ordinary Resolutions 2 to 5, will abstain from voting on the resolution in respect of her/his re-election at the 9th AGM of the Company.

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

**Explanatory Notes to Ordinary and Special Business:- (Cont'd)**

**5. Ordinary Resolution 7 : Authority to Allot Shares Pursuant to Sections 75 And 76 of the Act**

The Ordinary Resolution 7, if passed, is a renewal of the general mandate and empowered the Directors of the Company pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company ("General Mandate").

The Company had obtained the mandate from the shareholders at the last AGM held on 11 June 2019 ("Previous Mandate"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and accordingly, no proceeds were raised.

As part of the initiative from Bursa Malaysia Securities Berhad ("Bursa Securities") has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 ("Extended Utilisation Period") and thereafter, the 10% general mandate will be reinstated.

Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 9th AGM of the Company.

The purpose to seek the 20% General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting merely for such purpose. The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding its business plans, future investment project(s), working capital and/or acquisitions.

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries.

**6. Ordinary Resolution 8 : Proposed Renewal of Share Buy-Back Authority**

The Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's shares through Bursa Securities up to ten percent (10%) of the issued and paid-up capital of the Company for the time being. This authority will expire at the conclusion of the next Annual General Meeting unless earlier revoked or varied by ordinary resolution passed by the shareholders at a general meeting.

For further information on this resolution, please refer to the Statement to Shareholders dated 30 June 2020 which is dispatched together with the Company's Annual Report 2019.

# NOTICE OF THE NINTH (9TH) ANNUAL GENERAL MEETING
CONT'D

**Explanatory Notes to Ordinary and Special Business:- (Cont'd)**

7. Ordinary Resolution 9 : Proposed Granting of SIS Options to Ms. Goh Siow Cheng

   In accordance with the AMLR of Bursa Securities, Ordinary Resolution 9 is to seek shareholders' approval for the Company to offer and grant Options to the Director of the Company, to participate in the SIS.

   The Director of the Company namely, Ms. Goh Siow Cheng is deemed interested in the respective resolutions pertaining to the grant of SIS Options to her and accordingly has abstained and shall continue to abstain from deliberation and voting in respect of her direct and indirect interest in the Company and will ensure that persons connected with her will abstain from voting in respect of her direct and indirect interest in the Company, in the respective allocation to her.

8. **Ordinary Resolution 10 : Proposed Granting of SIS Options to Mr. Kang Jimmi**

   In accordance with the AMLR of Bursa Securities, Ordinary Resolution 10 is to seek shareholders' approval for the Company to offer and grant Options to the Director of the Company, to participate in the SIS.

   The Director of the Company namely, Mr. Kang Jimmi is deemed interested in the respective resolutions pertaining to the grant of SIS Options to his and accordingly has abstained and shall continue to abstain from deliberation and voting in respect of his direct and indirect interest in the Company and will ensure that persons connected with his will abstain from voting in respect of his direct and indirect interest in the Company, in the respective allocation to his.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
**(pursuant to Rule 8.29 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)**

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the AGM of the Company. There is therefore no individual standing for election as Director, save for the above Directors who are standing for re-election.

Further details of Directors standing for re-election as Directors at the 9th AGM are set out in their respective profiles which appear in the Directors' Profiles of this Annual Report and the details of their interests in the securities of the Company are disclosed in the Analysis of Shareholdings of this Annual Report.

The Company will seek shareholders' approval on the general meting for issue of securities in accordance with Rule 6.04(3) of the AMLR of Bursa Securities. Please refer to the Proposed Ordinary Resolution 7 as stated in the Notice of the 9th AGM of the Company for details.

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

## PROXY FORM

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

of _____
*(Full address)*

_____being a member(s)

of **BIOALPHA HOLDINGS BERHAD [Registration No. 201101021398 (949536-X)** hereby appoint _____

*(Full name in capital letters)*(Proxy 1) NRIC No./Passport No._____of

_____ and/or*

_____*(Full name in capital letters)*(Proxy 2) NRIC No./Passport No._____

of _____
*(Full address)*

Or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the 9th Annual General Meeting of the Company to be held at Bioalpha Bangi Office, No. 1, Jalan Perindustrian Suntrack, Hub Perindustrian Suntrack, Off Jalan P1A, Seksyen 13 Bandar Baru Bangi, 43000 Kajang Selangor Darul Ehsan, Malaysia on Monday, 17 August 2020 at 10.00 a.m for/against* the resolution(s) to be proposed thereat.

The proxy is to vote in the manner indicated below, with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

| No. | Agenda | Resolution | FOR | AGAINST |
|---|---|---|---|---|
| 1. | To approve the payment of Directors' fees and other benefits payable up to RM350,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from the conclusion of the 9th AGM until the conclusion of the next AGM of the Company. | Ordinary Resolution 1 | | |
| 2. | Re-election of Hon Tian Kok @ William as Director | Ordinary Resolution 2 | | |
| 3. | Re-election of Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim as Director | Ordinary Resolution 3 | | |
| 4. | Re-election of Goh Siow Cheng as Director | Ordinary Resolution 4 | | |
| 5. | Re-election of Mr Kang Jimmi as Director | Ordinary Resolution 5 | | |
| 6. | Re-appointment of Messrs. UHY as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 | | |
| 7. | Authority to Allot Shares Pursuant to Sections 75 And 76 of the Companies Act, 2016. | Ordinary Resolution 7 | | |
| 8. | Proposed Renewal of Share Buy-Back Authority. | Ordinary Resolution 8 | | |
| 9. | Proposed Granting of Share Issuance Scheme ("SIS") Options to Ms Goh Siow Cheng | Ordinary Resolution 9 | | |
| 10. | Proposed Granting of SIS Options to Mr Kang Jimmi | Ordinary Resolution 10 | | |

Signed on this _____ day of _____ 2020.

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

_____
Signature of Shareholder or Common Seal

The proportions of my/our holdings to be represented by my/our proxies are as follows:-

**First Proxy**
No. of Shares: .....
Percentage : .....%

**Second Proxy**
No. of Shares: .....
Percentage : .....%

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** Strike out whichever is not desired.*

*Notes:-*

1. *A proxy may but need not be a member of the Company and a member may appoint any person to be his/her proxy without limitation. A member shall be entitled to appoint one (1) or more proxies to attend and vote at the same meeting, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares to the credit of the said securities account.*
3. *Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
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 the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd of 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.*
6. *Only the members whose names appear on the Record of Depositors as at 10 August 2020 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.*
7. *Pursuant to Rule 8.31A (1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

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AFFIX
STAMP

The Share Registrar:

**BIOALPHA HOLDINGS BERHAD**
[Registration No. 201101021398 (949536-X)]
*c/o BOARDROOM SHARE REGISTRARS SDN BHD*
[Registration No. 199601006647 (378993-D)]
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor

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## Exclusive For Shareholders

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## BIOALPHA HOLDINGS BERHAD

Registration No. 201101021398 (949536-X)

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Tel : +603 8922 2286
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Email: info@bioa.com.my

CONSTANT Lifestyle and Wellness Pharmacy  apotec  nushine