BIOALPHA HOLDINGS BERHAD

(Company No.: 949536-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Annual Report 2018

CONTENTS

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 (continued)

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 strain extraction methodologies and to discover new medicinal mushroom species and herbs for commercialization.

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

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

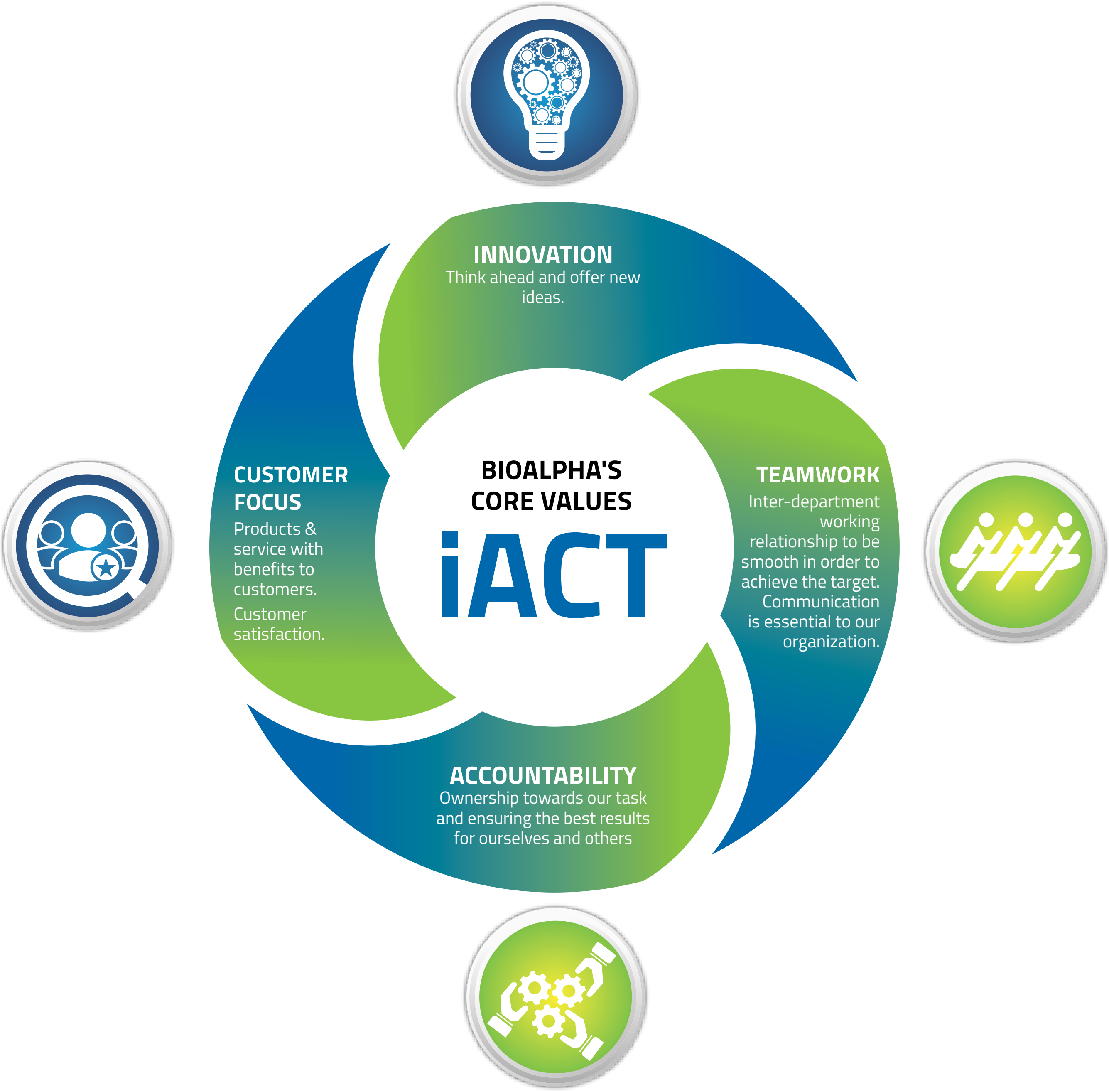
Regional Expansion

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

Branding

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

BIOALPHA'S **CORE VALUES**



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

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

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

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

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

Mohd Nasir Bin Abdullah
Independent Non-Executive Director

AUDIT COMMITTEE

Mohd Nasir Bin Abdullah (Chairman)

Dato' Rosely Bin Samsuri

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

REMUNERATION COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)

Dr. Nik Ismail Bin Nik Daud

Dato' Norhalim Bin Yunus

RISK MANAGEMENT COMMITTEE

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (Chairman)

Mohd Nasir Bin Abdullah

Ho Tze Hiung

NOMINATION COMMITTEE

Dr. Nik Ismail Bin Nik Daud (Chairman)

Dato' Rosely Bin Samsuri

Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim

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)

Thien Lee Mee
(LS0009760)

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

United Overseas Bank
(Malaysia) Bhd.
24-26, Jalan Dato Lee Fong Yee
P.O. Box 355 70740 Seremban
Negeri Sembilan
Malaysia

Tel. No. : (606) 762 5651
Fax. No. : (606) 763 5303

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. (Formerly known as Symphony Share Registrar Sdn. Bhd.)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel. No. : (603) 7841 8000
Fax. No. : (603) 7841 8151 / 8152

STOCK EXCHANGE LISTING

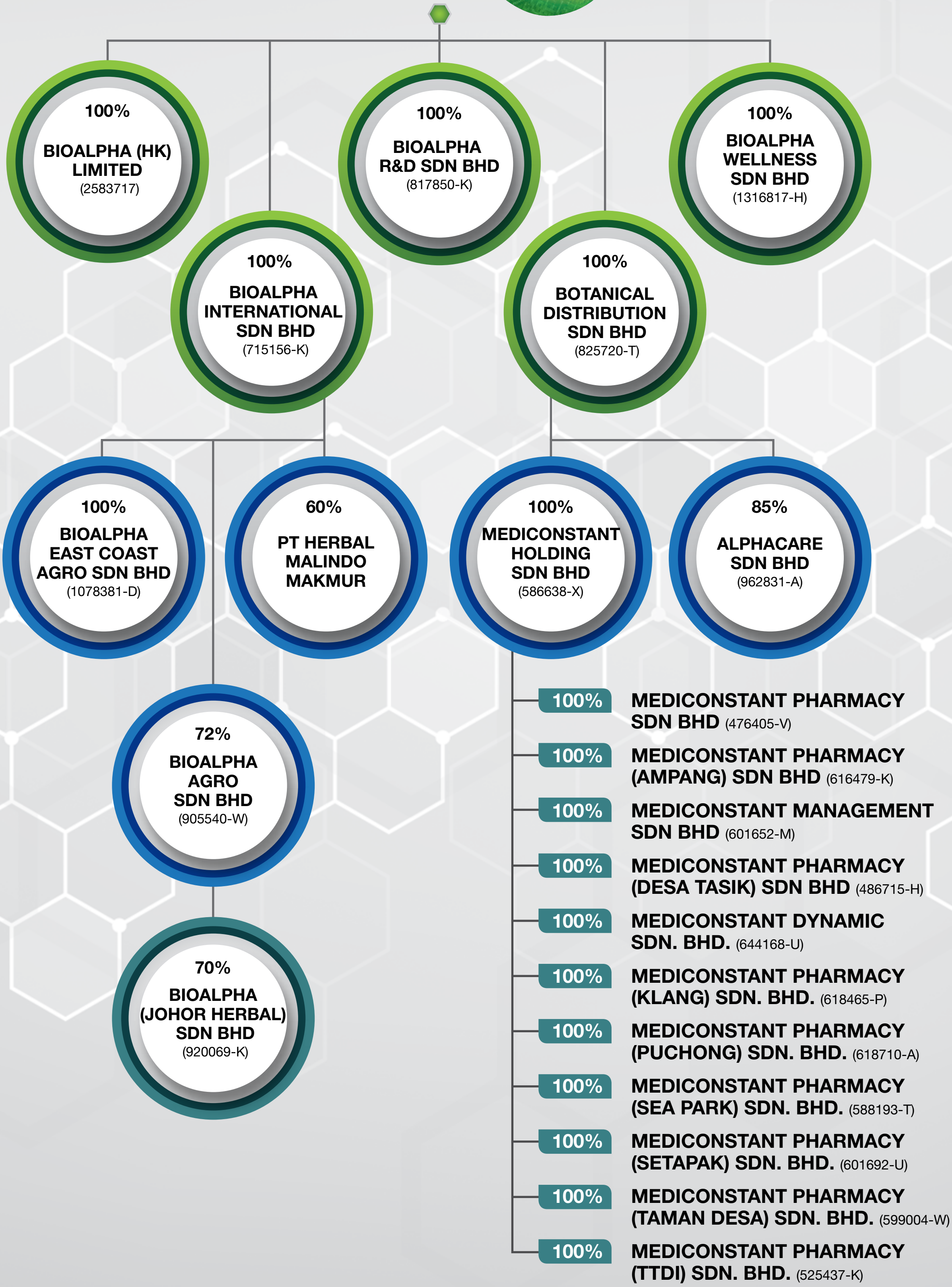
Ordinary Shares

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**



MAJOR **ACTIVITIES IN 2018**

LAUNCHING: MAJLIS PERASMIAN HERBA INTERGRASI HERBAL PARK PASIR RAJA

AWARD: LAZADA SELLER AWARDS 2019

MOU: MOU SIGNING CEREMONY BETWEEN BIOALPHA INTERNATIONAL SDN BHD AND JINRUI FORTUNE HOLDING GROUP

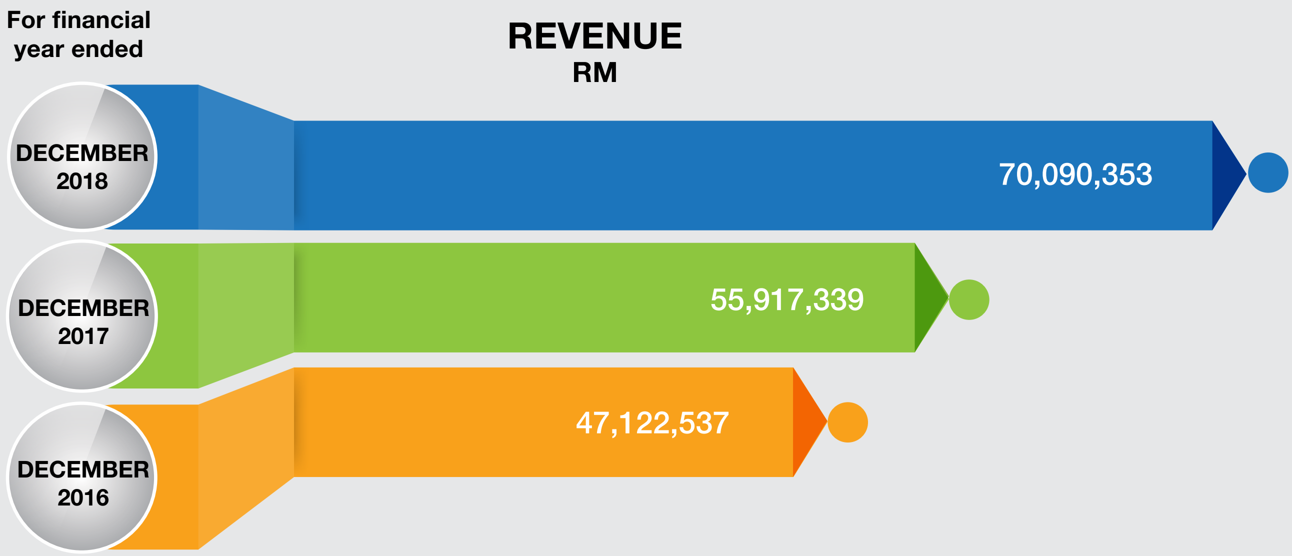
FINANCIAL **HIGHLIGHTS**

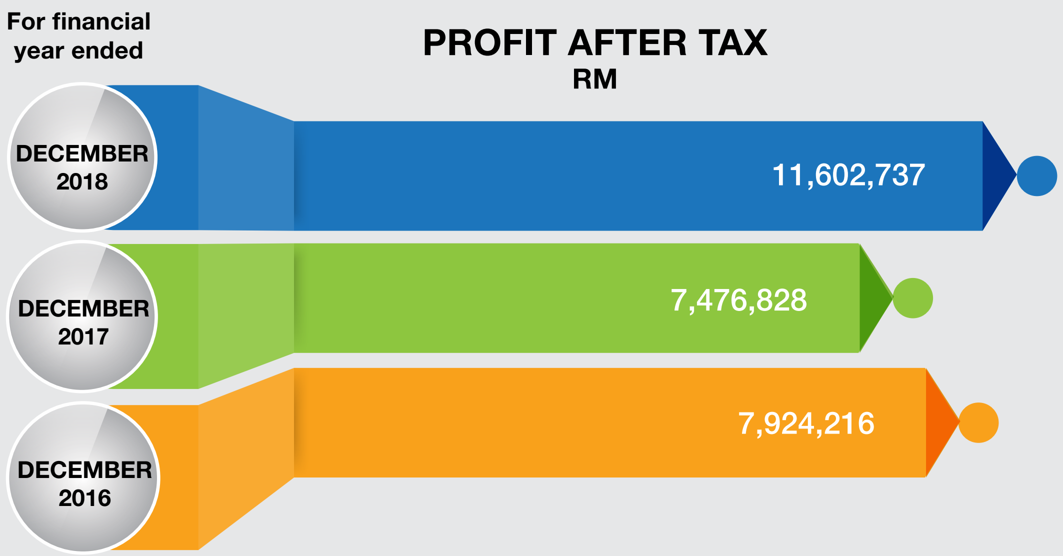
	For Financial Year Ended 31/12/18 RM	For Financial Year Ended 31/12/17 RM	For Financial Year Ended 31/12/16 RM
Financial Results			
Revenue	70,090,353	55,917,339	47,122,537
EBITDA	23,539,472	16,122,632	13,751,855
Profit before tax	14,692,593	9,374,724	7,736,707
Profit after tax	11,602,737	7,476,828	7,924,216
Net dividend	891,000	809,250	-
Net profit attributable to:			
Owners of the parent	11,585,845	7,864,983	8,488,811
Non-controlling interests	16,892	(388,155)	(564,595)

	As at 31/12/18	As at 31/12/17	As at 31/12/16
Financial Position			
Assets			
Property, plant and equipment	47,568,284	37,238,407	29,291,581
Goodwill on consolidation	5,841,157	5,334,030	5,334,030
Development expenditures	35,577,519	30,532,011	18,568,014
Biological assets	643,350	189,253	302,284
Current assets	89,317,349	80,524,190	65,683,164
Total assets	178,947,659	153,817,891	113,845,043
Equity			
Share capital	99,763,799	87,453,673	33,333,282
Reserves	57,856,783	47,981,991	64,657,418
Total equity attributable to owners of the company	157,620,582	135,435,664	97,990,700
Non-controlling interests	(303,113)	(803,158)	(594,890)
Liabilities			
Deferred tax liabilities	6,481,014	4,057,259	2,342,940
Finance lease liabilities	573,874	647,361	94,975
Bank borrowings	5,576,169	3,139,876	2,984,978
Current liabilities	8,999,133	11,340,889	11,026,340
Total equity and liabilities	178,947,659	153,817,891	113,845,043
Weighted average no. of ordinary shares	**819,485,441**	**803,636,734**	**663,601,297**

	For Financial Year Ended 31/12/18	For Financial Year Ended 31/12/17	For Financial Year Ended 31/12/16
Financial Indicators			
Earnings per share (sen)	**1.41**	**0.98**	**1.28**
Net dividend per share (sen)	**0.11**	**0.10**	**-**
Net assets per share (RM)	**0.19**	**0.17**	**0.15**
Return on equity (%)	**7.38**	**5.57**	**8.14**
Share price as at financial year end (RM)	**0.209**	**0.248**	**0.206**

FINANCIAL **HIGHLIGHTS** (continued)





Clear & Healthy Vision

BOARD OF **DIRECTORS**

BOARD OF **DIRECTORS**

TAN SRI ABDUL RAHMAN BIN MAMAT

67 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 (Hons) from University of Malaya in 1975 and later obtained an Advanced Management Programme qualification from Harvard Business School, Boston, United States of America ("US") in 2004.

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

He currently serves on the board of several private limited companies involved in Malaysia including Hiap Teck Venture Berhad, Malaysian Industrial Development Finance Berhad, DagangNeXchange Berhad, Parkson Holdings Berhad and Lotte Chemical Titan 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 2018.

BOARD OF **DIRECTORS** (continued)

HON TIAN KOK @ WILLIAM

43 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 2018.

BOARD OF **DIRECTORS**
(continued)

HO TZE HIUNG

42 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 2018.

BOARD OF **DIRECTORS** (continued)

DATO' NORHALIM BIN YUNUS

56 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 2018.

BOARD OF **DIRECTORS**
(continued)

DATO' ROSELY BIN SAMSURI

66 Years

Malaysian, Male

Non-Independent Non-Executive Director
Member of Audit Committee and Nomination Committee

Dato' Rosely Bin Samsuri was appointed to our Board on 20 September 2013. He graduated with a Bachelor of Science (Finance) from Indiana State University, Indiana, US in 1983 and obtained a Master of Business Administration (International Business) from University of New Haven, Connecticut, US in 1985.

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

Dato' Rosely was on the board of Perbadanan Nasional Berhad ("PNS") from 12 May 2011 to 1 August 2018. Currently, he is serving on the board of Permodalan Felcra Sdn Bhd and acts as the Chairman of Management Investment Committee of Permodalan Felcra Sdn Bhd.

He has no family relationship with any Director and/or major shareholder of the Company, 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 2018.

BOARD OF **DIRECTORS** (continued)

TAN SRI DATO' DR. SYED JALALUDIN BIN SYED SALIM

75 Years

Malaysian, Male

Independent Non-Executive Director
Chairman of Remuneration Committee, Risk Management Committee and SIS Option Committee
Member of Audit Committee and Nomination Committee

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

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

In the corporate sector, Tan Sri Dato' Dr. Syed Jalaludin is the Founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by Ministry of Finance (Incorporated). He is also an Independent Non-Executive Chairman of SL Innovation Capital Berhad (formerly known as SL Information 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 2018.

BOARD OF **DIRECTORS** (continued)

MOHD NASIR BIN ABDULLAH

53 Years

Malaysian, Male

Independent Non-Executive Director
Chairman of Audit Committee
Member of Risk Management 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.

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 2018.

BOARD OF **DIRECTORS** (continued)

DR. NIK ISMAIL BIN NIK DAUD

68 Years

Malaysian, Male

Independent Non-Executive Director
Chairman of Nomination Committee
Member of Remuneration Committee

Dr. Nik Ismail was appointed to our Board on 30 June 2011.

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

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

He was a member of national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysia Standards on Coffee, Beverages, Flour, Starches and Food Safety. Dr Nik Ismail was the President of the Malaysian Institute of Food Technology for 18 years until 2014 and was also past President of Federation of Institute Food Science and Technology, Asean ("FIFSTA"). Currently he holds directorship position in Kawan Food Bhd.

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 2018.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MEN'S VITALITY

PROFILES OF **KEY SENIOR MANGEMENT**

GOH SIOW CHENG

37 Years

Malaysian, Female

Group Chief Financial Officer
Member of SIS Option Committee

Ms. Goh Siow Cheng is responsible for overseeing the finance, accounting and human resources functions of our Group. She graduated with Bachelor of Business (Accounting & Finance) from University of Technology Sydney, Australia in 2003 and became a member of CPA Australia since 2007.

She began her career with Grant Thornton, Malaysia as an Audit Associate in 2004 and was with the firm until 2010, where her last held position was Senior Manager. She joined Ernst and Young, Singapore as an Audit Manager in 2010 and subsequently left to join Wasco Energy Group of companies as Finance Manager in 2012. In 1 January 2014, she joined the Company as our Financial Controller, and was promoted to Group Chief Financial Officer in 21 April 2017.

Ms. Goh brings with her about a decade of experience in accounting and audit 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 2018.

LOW CHEN KONG

46 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 graduated with 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 2018.

PROFILES OF **KEY SENIOR MANAGEMENT** (continued)

OW PAK THUNG

37 Years

Malaysian, Male

Chief Executive Officer of Mediconstant Holding Sdn. Bhd.

Mr. Ow Pak Thung is responsible for overseeing the retail and pharmacy of our Group. He graduated with Bachelor of Pharmacy (Hons) from University Kebangsaan Malaysia ("UKM") in 2006.

He began his career with Hospital Tuanku Ja'afar Seremban, Negeri Sembilan in 2006 as a Provisional Registered Pharmacist. In 2007, he joined Hospital Tuanku Ja'afar Seremban, Negeri Sembilan as a Registered Pharmacist until 2010. He later joined Mediconstant Pharmacy as a Pharmacist in 2010 and being promoted as a Franchise & Business Development Manager in 2013. He was promoted as a Chief Executive Officer of Mediconstant Holding Sdn. Bhd. in 1 March 2017.

Mr. Ow is a Member of the Malaysian Pharmaceutical Society ("MPS") since July 2009 – Present. He is also a Member of the 'Know Your Medicines' Campaign Committee, Pharmaceutical Services Division, Negeri Sembilan.

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 2018.

SHAHRIZAL BIN SHARUDIN

40 Years

Malaysian, Male

Quality Assurance & Quality Control Manager

Encik Shahrizal Bin Sharuddin is our Quality Assurance Manager and is responsible for overseeing all Quality Assurance ("QA") & Quality Control ("QC") activities to ensure compliance with company and 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 QA 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 2018.

PROFILES OF **KEY SENIOR MANAGEMENT** (continued)

MAPLE HOW WAI CHENG

44 Years

Malaysian, Female

Group Human Resources & Administrative Manager

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 2018.

SALLY CHUAH SZE YEE

38 Years

Malaysian, Female

Chief Operation Officer of Mediconstant Holding Sdn. Bhd

Ms. Sally Chuah Sze Yee is responsible for overseeing the company's overall business operations. She graduated with Master of Pharmacy ("mPharm") from University of Strathclyde UK in August 2002.

She began her career with Subang Jaya Medical Centre ("SJMC") in September 2002. She later joined Mediconstant Pharmacy as a Pharmacist in April 2004 and promoted to Branch Manager in 2005. From 2006 to 2017, she was the Company's Affiliate Training Manager and promoted to Senior Operation Manager in 2018. She was promoted to Chief Operation Officer of Mediconstant Holding Sdn. Bhd. in 2019.

Ms. Sally is a Member of the Malaysian Pharmaceutical Society ("MPS") since 2002.

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 2018.

PROFILES OF **KEY SENIOR MANAGEMENT** (continued)

LAI JIAN CHEN, JC

38 Years

Malaysian, Male

Regional General Manager of Mediconstant Holding Sdn. Bhd

Mr. JC Lai is responsible for overseeing the franchise expansion of the retail and pharmacy of our Group. He graduated with Master of Pharmacy (Hons) from University of Strathclyde in 2002.

He began his career with Sunway Medical Centre, Selangor in 2002 as a Provisional Registered Pharmacist. In 2003, he joined Sunway Medical Centre, Selangor as a Registered Pharmacist until 2005. He later joined Mediconstant Pharmacy as a Pharmacist in 2005 and being promoted as a Business Development Manager in 2018. He was promoted as a Regional General Manager of Mediconstant Holding Sdn. Bhd. in Feb 2019.

Mr. JC Lai is a Member of the Malaysian Pharmaceutical Society ("MPS").

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 2018.


apotec
BETTER
Build Your
Joint Health
apotec
Curmax
Turmeric
250mg
apotec
Curmax
Turmeric
250mg

CHAIRMAN'S **STATEMENT**

OVERVIEW AND HIGHLIGHTS OF 2018

Bioalpha is a home-grown integrated nutraceutical and health supplement company with businesses encompassing the entire spectrum of the supply chain, from the upstream cultivation of herbal raw materials to research & development ("R&D"), manufacturing and distribution as well as operating a downstream retail pharmacy chain, "Constant". We produce health supplement products under Original Design Manufacturing ("ODM") basis to our clients, as well as under our own proprietary house brands, Apotec and Nushine.

In FY2018, we posted our best financial performance as we achieved an all-time high revenue of RM70.1 million with a net profit of RM11.6 million. We are pleased to share that this is our fourth consecutive year of hitting record high turnover.

Dear valued shareholders,
On behalf of the Board of Directors ("Board") of Bioalpha Holdings Berhad ("Bioalpha" or "the Group"), it is my privilege to present to you the Annual Report and Audited Financial Statements of Bioalpha for the financial year ended 31 December 2018 ("FY2018").

In tandem with the stronger financial performance, the Board has declared a first interim dividend of 0.11 sen per share, which was paid out to shareholders on 18 October 2018.

2018 was a busy year for us as we strengthened our foothold in the local market while forging new partnerships. During the year, we focused on expanding our product offerings and broadening our distribution reach via collaborations.

Our efforts are in line with the Ministry of Agriculture and Agro-Based Industry's ("MOA") initiatives to promote Malaysia's herbal industry. One of MOA's efforts is to develop the agriculture sector and increase the value of herbal-based products through research and development in order to meet the global demand for natural herbs. This would also create an opportunity to export local finished herbal-based products to a wider global audience.

As a Malaysian health supplement company, we will continue to contribute towards MOA's objectives and educate consumers not only on our health supplement products but also on our local indigenous herbs such as *Tongkat Ali*, *Kacip Fatimah* and Tiger Milk Mushroom, etc. This would further spur our domestic agriculture growth whilst generating interest for our products.

CHAIRMAN'S **STATEMENT** (continued)

During the year, we witnessed the official opening of our Pasir Raja Herbal Park in Terengganu. We were truly honoured to have His Royal Highness Sultan Mizan Zainal Abidin to officiate the opening, graced by the attendance of YAB Menteri Besar Terengganu, Dr. Ahmad Samsuri Mokhtar with representatives from various government agencies.

Official Opening of Pasir Raja Herbal Park

The Pasir Raja Herbal Park, together with our herbal farm in Desaru, are being developed for the cultivation of raw herbs for the continuous supply of raw materials for the Group's herbal-based health supplement products. We are proud to share that we employ local villagers to manage the herbal parks, in line with the Group's corporate social responsibility agenda, with the aim of enhancing the socio-economic status of the local communities.

MARKET OUTLOOK

The global economic growth was considerably subdued in 2018, hampered by the escalating trade tensions between the United States ("US") and China and tightening financing conditions. Against this backdrop, Malaysia's economic growth came in at 4.7% in 2018, as compared to 5.9% in 2017. The moderate expansion was attributable to continued strength in domestic demand and supported by a rebound in export demand.

According to the Malaysian Ministry of Finance, the Malaysian economy is expected to grow at a steady pace of between 4.8% and 4.9% in 2019, with domestic demand to remain as the main driver.

2018 marked a historic milestone for Malaysia as we welcome a new government for the first time in six decades since independence after the 14th General Election. We also saw the implementation of the Sales and Services Tax ("SST") in September 2018, following the removal of the Goods and Services Tax ("GST") in June 2018. As such, there was a 3-month tax-holiday period from 1 June 2018 to 31 August 2018, which boosted customers' sentiments and spending during that period.

We expect the growth momentum to sustain in 2019 with the health supplement market in Malaysia forecasted to continue expanding on the back of rising household income, rapidly aging population and growing awareness on health issues.

In Indonesia, the country's economy accelerated by 5.2% in 2018 driven by domestic demand, primarily household consumption. According to the consulting firm Cekindo, Indonesia's health supplement market is projected to reach USD1.8 billion in 2020, driven by rising middle-income population, changing lifestyle habits and growth in e-commerce usage.

Meanwhile, China experienced its slowest growth rate in three decades, as its economy grew 6.6% in 2018. However, the Chinese consumer market is expanding at a faster rate than overall economic growth, fuelled by the advent of e-commerce. According to the Global Supplement Business Report, the country's health supplement market is forecasted to expand to approximately USD25.0 billion in 2020, attributable to rising disposable income, changing of lifestyles and technological advancement.

With the aforementioned developments, we are confident we are on a solid footing to tap into the growing health supplement industries in our key operating markets.

FUTURE PROSPECTS

We are positive of making further headways this year, despite the challenging market conditions. Last year, domestic demand was the driving force behind the Group's growth. For 2019, we are shifting our focus to strengthening our presence in our key export markets, China and Indonesia.

In China, we will continue to work with our partners to further penetrate the market and increase exposure of our products by expanding our distribution network. Over in Indonesia, we look forward to receiving heightened demand as we commence production of health supplement products, which we believe will be a catalyst for our growth there. As for the domestic market, we anticipate steady growth for both the manufacturing and retail pharmacy division in 2019.

CHAIRMAN'S **STATEMENT** (continued)

We expect to see continued solid demand from our existing ODM clients for our health supplement products, in addition to broadening our customer base and range of offerings to include products in sought-after areas such as anti-ageing, obesity care, immunity, antioxidant and men's and women's health benefits.

At the same time, we will be expanding our offering to include personal care products. This would create a new revenue stream for the Group while improving our offerings to ODM clients. For our retail pharmacy division, we will continue our strategy of franchising more outlets to expand the "Constant" pharmacy network and reach.

On our agriculture side, land clearing and planting activities are underway at both our herbal farms in Pasir Raja, Terengganu and Desaru, Johor. The Group anticipates to harvest a bigger volume of raw fresh herbs in 2019 as more crops reach maturity in addition to increased planted acreage.

With these expansion plans in place, I am excited at the Group's prospects for 2019 as we continue to make good progress across our operations. We shall remain focused on strengthening our position to undertake future opportunities, with the aim of elevating the Group to the next level of growth.

CORPORATE GOVERNANCE AND SUSTAINABILITY

As we strive for greater success, we are committed to achieving high standards of corporate governance and sustainability Group-wide. At Bioalpha, we continue to underline the importance of sound business practices and ethical behavior in pursuit of sustainable value creation for all our stakeholders. The undertakings by the Group are documented in the Sustainability Statement of this Annual Report.

We have also taken considerable steps to ensure our corporate governance framework is aligned with the Malaysian Code on Corporate Governance 2017, which is outlined in the Statement of Corporate Governance.

APPRECIATION & ACKNOWLEGEMENT

I would like to record my gratitude to my fellow Board Directors for their wise council and strong support. On behalf of the Board, I would like to thank the management team and employees of Bioalpha who had performed their roles with continuous dedication and competence to push the Group ahead.

I would also like to express my utmost gratitude to 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 Agro-Based Industry ("MOA"), East Coast Economic Region Development Council ("ECERDC") and Johor Biotechnology & Biodiversity Corporation ("J-Biotech"), for their continued support and confidence in Bioalpha.

Tan Sri Abdul Rahman Bin Mamat
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER**

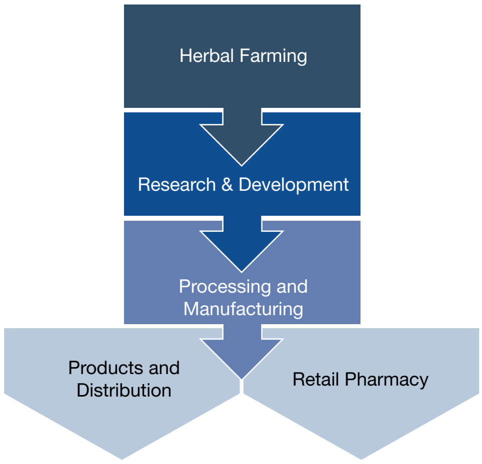
Dear valued shareholders,

It is with pleasure that I share with you the review of Bioalpha Holdings Berhad's ("Bioalpha" or "the Group") financial and operational performance for the year ended 31 December 2018 ("FY2018").

KEY BUSINESS AND OPERATIONAL HIGHLIGHTS

FY2018 was a significant year for Bioalpha as we delivered yet another set of commendable results and continued to make fruitful progress in all aspects. As a result of our endeavours, we posted improved financial performance and reached new highs with revenue and net profit of RM70.1 million and RM11.6 million, respectively, in spite of the uncertain economic conditions.

As an integrated health supplement company, Bioalpha's activities span across all segments of the value chain, including herbal farming of raw materials, research and development ("R&D"), processing and manufacturing, distribution and operating a retail pharmacy chain.



Herbal Farming

Bioalpha's upstream planting activities are carried out at two of the Group's herbal parks, located in Pasir Raja, Terengganu and Desaru, Johor. With a total acreage of 1,303 acres, we operate two of the largest herbal parks in the country.

We aim to become fully self-sufficient for herbal-based raw materials. Being involved in herbal farming enables us to have a continuous supply of intake for our in-house production of herbal health supplements, while sustaining the quality of our finished products and enhancing cost efficiencies.

Pasir Raja Herbal Park, Terengganu 1,003 acres

Desaru Herbal Park, Johor 300 acres

For our 1,003-acre Pasir Raja Herbal Park, 260 acres have already been developed. For the remaining 743 acres, land clearing and planting activities are underway with completion slated for 2020.

The herbal park in Pasir Raja is accredited with the Malaysian Good Agriculture Practices ("MyGAP") certification issued by the Ministry of Agriculture and Agro-based Industry Malaysia ("MOA"). MyGAP certifies good agricultural practices with emphasis on the environmental, economic and social aspects, to ensure the end-products are of high quality and safe for consumption.

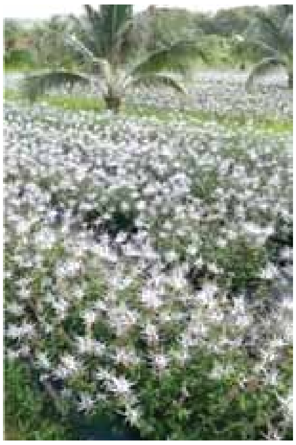
MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** (continued)

Herbal Farming (cont'd)

Apart from our herbal park in Pasir Raja, Bioalpha also operates a herbal park in Desaru, Johor, spanning across 300 acres which have been developed.

As we progressively increase our planted acreage, we aim to produce higher harvest tonnage from 2020 onwards. At the moment, we have more than 20 types of crops planted at the herbal parks, including *Tongkat Ali*, *Kacip Fatimah*, *Misai Kucing*, *Hempedu Bumi*, *Roselle*, *Dukung Anak*, *Pecah Beling*, lemongrass, ginger, black pepper and soursop, among others.

In 2018, we continued to perform intercropping and added more high-yielding crops to our plantation. We have planted more coconut trees, with harvesting activities commencing during the year. We have also allocated 50 acres of land to be planted with Musang King durian trees in the near future, enabling us to start harvesting in 5 years' time.



Orthosiphon Aristatus (Misai Kucing)

Soursop (Durian Belanda)

As we grow our business, it is our intent to contribute to the surrounding communities of where we operate and develop their local economy. In this regard, we provide job opportunities to local villagers to help manage our plantations. We are proud to note that all our farmhands at Pasir Raja Herbal Park are locals from the vicinity. The Group has also entered into buyback agreements with local farmers, where we undertake to purchase their harvest at market prices. We have cultivated more than 30 satellite farmers by providing them with seedlings and technical farming knowledge for them to grow their own crops. By equipping them with farming technique and know-how, we aim to empower them to become agropreneurs.

Research and Development

We have a dedicated and skilled R&D team at Bioalpha, who is responsible for creating all the formulations for our house brands and ODM products. This capability gives us competitive edge, enabling us to customize formulations based on clients' specifications. To date, we have developed over 300 proprietary formulations, with a target of producing 30 new formulations per annum. We will continue to develop new formulations for our health supplement products in our key markets.

For our botanical drugs development, we are now working towards clinical trials with pre-clinical studies of the drugs have already been carried out in Malaysia, Taiwan and India. We have filed applications for several patents, which 3 have been granted. Our botanical drugs focus on the treatment for type 2 diabetes as well as Hormone Replacement Therapy for menopausal syndrome management.

Processing and Manufacturing

Bioalpha's main manufacturing plant is located in Bangi, Selangor, where we produce the Group's health supplement products and functional foods. This facility is certified with Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP"). As we are running at almost full capacity especially for certain production lines, we are expanding our production floor space at the Bangi plant in order to accommodate greater volume of orders. This is achieved by moving the administrative office to a new headquarter located nearby, and converting the existing building fully into a manufacturing facility. At the same time, we are also upgrading our machineries as we push towards increasing manufacturing automation, where feasible, to achieve higher efficiencies.

MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** (continued)

Processing and Manufacturing (cont'd)

Over in Terengganu, we are also upgrading our Collection, Processing & Packaging Centre ("CPPC") plant in Pasir Raja Herbal Park, in view of the increase in tonnage volume. We expect the upgrading of the plant to be completed in second half of 2019.

To accelerate our growth in Indonesia, Bioalpha rolls out new products from a contract manufacturing plant located in Kampar, a regency of Riau province on the island of Sumatra. We have recently received the Badan Pengawas Obat dan Makanaan ("BPOM") approvals for several products and the plant has since commenced the manufacturing of health supplement products. With our current capability to produce both health supplements products and functional foods, we now have more products to offer to our ODM clients, while expanding our house brand range concurrently.

House Brand and ODM Products

Malaysia

During the year, domestic demand led the way as we received higher sales orders for our health supplement products from our existing and new ODM clients. Additionally, we also launched a number of new house brand products to stimulate interest in the market, in addition to receiving further sales boost with the absence of consumption tax from 1 June 2018 to 31 August 2018.

House brand products

To remain competitive, we are constantly in pursuit of opportunities which are complementary to our business. In 2019, Bioalpha incorporated a new wholly-owned subsidiary, Bioalpha Wellness Sdn. Bhd. ("BioWellness"), with the aim of venturing into the personal care segment. In this aspect, we have partnered with an experienced local company with more than 30 years of operating history in the hospitality industry, which is involved in manufacturing, trading and supply of hotel amenities and personal care products.

Through this partnership, we aim to introduce an exclusive line of personal care products to be marketed under Bioalpha's house brand labels. We are also offering our ODM customers the opportunity to introduce personal care products in their product offering. The proprietary formulation will be developed by our in-house R&D team in consultation with local and international researchers. We view our foray into personal care line with excitement as this is certainly a value-adding offering to our ODM clients. At the same time, widening our house brand product coverage would also be a healthy boost to our bottom-line.

On the other hand, leveraging on our partner's extensive hospitality clientele network, a premium selection of Bioalpha's health supplement products would be placed at the hotel premises, as in-room amenities or displayed at the hotels' lobbies. This allows us to penetrate into the large tourist market, further broadening our distribution reach with heightened awareness of our brand and products.

MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** (continued)

House Brand and ODM Products (cont'd)

Coming into 2019, we foresee demand in Malaysia to sustain as we continue to grow our customer and product base.

China

In China, we have intensified our efforts to strengthen our presence and boost sales in the world's most populous country. During the year, we continued to work with selected distributors to promote our ODM products in the respective provinces.

We further reinforced our commitment to serve the Chinese market by tying up with an established Traditional Chinese Medicine ("TCM") company in China during the year. Through this collaboration, we can broaden our distribution network by tapping into a new client base of Chinese patients.

Besides this, Bioalpha is entering the Business-to-Consumer ("B2C") scene in China to promote our house brand products. In this regard, we have appointed a new local distributor to market our products there. In addition to physical presence, we will also be selling our products on the popular WeChat mobile platform and online JD.com e-commerce site. We look forward to receiving warm response from consumers via this new market channel.

We believe there is still much more potential to be realised in China and are positive that these initiatives will spur and fast-track our growth there.

Indonesia

In 2018, we continued to promote and distribute our products through our appointed partners in Indonesia.

During the year, our focus was on the production of functional foods. However, with the recent BPOM approvals, we can now offer health supplement products to our customers. With this development, we expect contribution from our Indonesian market to pick up gradually as we introduce more products in the health supplement category.

With our plans in motion and more orders expected to come in, we believe we are poised to capture the growing health supplement market in Indonesia.

Retail Pharmacy

Bioalpha is also involved in the downstream operation of a retail pharmacy chain under the brand "Constant". Our pharmacy outlets primarily serve as a key channel to push our house brand products to end consumers.

We shall continue to expand our distribution reach by opening more outlets through the franchising model. The franchise model is a strategic and deliberate decision that enables us to grow our outlets at a faster rate without burdening our financial position. At the moment, we have 21 "Constant" pharmacy outlets across the country with 9 located in Klang Valley.

Bioalpha's Constant retail pharmacy outlet

MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** (continued)

Pharmacy outlets across the country.

Our expansion strategy is to attract more franchisees to open Constant outlets in strategic locations outside of Klang Valley, where there is less competition and we can deliver more value-added services to the residents. In 2019, we target to launch more outlets and have identified the Southern region as a focus area.

In addition to growing organically, we are also exploring acquisition opportunities to further grow the "Constant" network and brand.

FINANCIAL PERFORMANCE REVIEW

Revenue

I am proud to note that we delivered yet another all-time high revenue of RM70.1 million, 25.4% higher than RM55.9 million reported in the prior year ("FY2017"). The top-line growth was fuelled by stronger sales in the Malaysian market, which grew 50.3% to RM44.9 million in FY2018.

Within the domestic market, we delivered RM18.9 million worth of products to our ODM clients in FY2018, which almost doubled from RM10.5 million in FY2017. Our retail pharmacy division also recorded encouraging sales growth of 34.1% to RM26.0 million in FY2018.

RM 70.1
million

RECORD HIGH REVENUE

MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** (continued)

Meanwhile, our export sales to Indonesia and China remained stable in FY2018 with turnover of RM11.7 million and RM13.5 million, respectively.

Cost of sales

Bioalpha's cost of sales increased 16.7% to RM39.5 million from RM33.9 million in FY2017 in tandem with the rise in revenue. The lower-than-proportionate increase in cost of sales was due to better product mix, efficient use of resources and greater economies of scale achieved. As a result, the Group's cost of sales-to-revenue ratio improved to 56.4% vs. 60.6% a year ago.

Gross profit

In FY2018, gross profit expanded 38.7% to RM30.6 million against RM22.0 million in FY2017, attributable to a more favourable sales mix. This led to a higher gross profit margin of 43.6% as compared to 39.4% a year ago. We continue to review our strategy to improve production efficiency and to optimize product mix in order to enhance profit margins for the Group.

Administrative expenses

The Group recorded administrative expenses of RM19.0 million in FY2018, 7.5% lower as compared to RM20.5 million in FY2017. This was due to the Group's effective cost management during the year.

Finance costs

Finance cost increased marginally from RM0.2 million in FY2017 to RM0.3 million in FY2018, in tandem with the rise in the Group's borrowings to finance our expansion plans.

Taxation

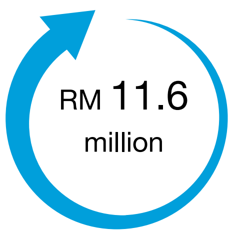
Bioalpha was awarded the BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn. Bhd. that allows tax exemption on income from qualifying R&D activities. As such, Bioalpha's FY2018 effective tax rate was 21.0%, which is lower than the statutory tax rate of 24%. We are in the midst of renewing the BioNexus Status following its expiry in June 2018.

Two of our subsidiaries, Bioalpha East Coast Agro Sdn Bhd and Bioalpha (Johor Herbal) Sdn Bhd, have the Pioneer Status awarded by the Malaysian Investment Development Authority. These Pioneer Statuses have not taken effect yet at this juncture. We plan to activate the Pioneer Status in the near future.

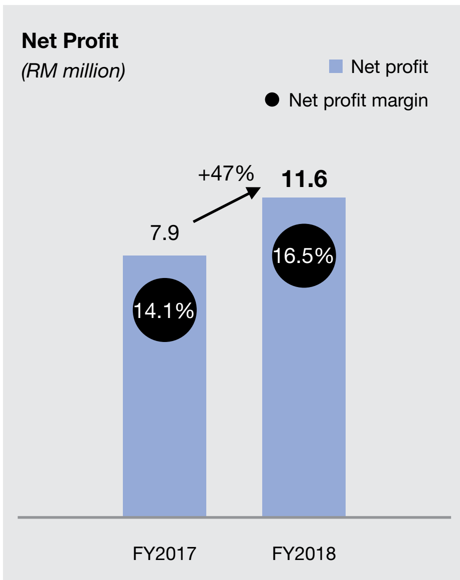
Net profit attributable to owners of the company ("Net profit")

The stronger top-line performance was reflected in Group's net profit, having surged 47.3% to a record high of RM11.6 million in FY2018 with stronger performance from both manufacturing and retail pharmacy businesses.

This translated to an improved net profit margin of 16.5% as compared to 14.1% in the preceding financial year.



BEST-EVER NET PROFIT

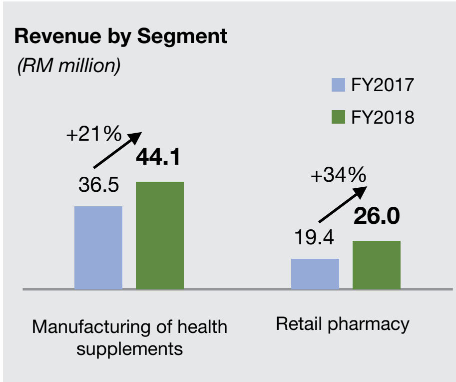


MANAGEMENT DISCUSSION **AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER** (continued)

Segmental breakdown

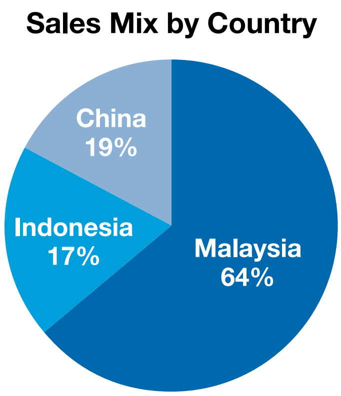
Our revenue composition for FY2018 remained similar to the previous year, with our manufacturing business continued to be the key anchor, having contributed 62.9% to the Group's total revenue, while the retail pharmacy division made up the balance 37.1%.

For the year under review, the manufacturing segment grew 20.7% to RM44.1 million, driven by increased demand for our health supplement products from our ODM clients. In addition, there was also revenue contribution from new ODM customers during the year. The uptick in sales were further supported by the absence of consumption tax from 1 June 2018 to 31 August 2018, with the removal of Goods and Services Tax ("GST").



As for our retail pharmacy division, turnover came in 34.1% higher at RM26.0 million, with improved penetration of our house brand products through our "Constant" pharmacy outlets.

In terms of geographical breakdown, the Malaysian market accounted for 64.1% of the Group's total revenue in FY2018, while Indonesia and China contributed 16.6% and 19.3%, respectively.



SOLID FINANCIAL POSITION

Total borrowings increased to RM5.6 million in FY2018 by comparison to RM3.1 million in FY2017 as we continued to finance our growth strategies. This led to a marginal increase in gearing ratio to 0.04 times. However, despite the higher debt levels, Bioalpha remained in a net cash position with net cash per share of 2.0 sen, on the back of gross cash and bank balances of RM23.1 million as at end-2018.

Shareholders' equity increased to RM157.6 million as at 31 December 2018 due to a larger share capital base arising from the issuance of 49.5 million new shares from a private placement exercise that took place during the year. As a result, net assets per share grew to 18.3 sen in FY2018 from 16.6 sen in FY2017.

We generated a positive net operating cash flow amounting to RM10.3 million as at 31 December 2018, partly due to collection of receivables from customers during the year. We continue to monitor the collection of the Group's receivables closely.

We wish to note that our current financial position is solid and sufficient to meet working capital requirements and debt commitments, while enabling us to execute our strategic plans.

MANAGEMENT DISCUSSION AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER (continued)

ANTICIPATED RISKS

Product liability risk

We recognise the potential risk of product liability we face, that could lead to an adverse impact on the Group's reputation and future sales of our products.

In this regard, we have taken necessary steps to minimise this risk, including having adequate product liability insurance coverage to protect against claims of injury caused by defective products. We also take precautionary measures by adhering to strict quality control procedures for the Group's product formulation and manufacturing processes. In addition, our main manufacturing plant in Bangi is certified with Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Points ("HACCP"). To date, there has not been any product recalls from the market and we have not experienced any product liability claim due to defective products.

Dependence on key personnel

Our success is dependent, to a significant extent, upon the abilities and efforts of our management team. The loss of key personnel may adversely affect the Group's operations and business, if we are not able to find a successor in a timely manner.

We aim to mitigate this risk by taking a proactive approach by having a management succession plan in place. Apart from that, our middle management is constantly being exposed to various aspects of the business to ensure they are fully-equipped to carry out their duties effectively while instilling a sense of leadership.

Intellectual property risk

We produce some raw materials using our proprietary liquid fermentation technology for the Group's range of medicinal mushroom-based health supplement products. As such, we are vigilant in protecting our proprietary and intellectual property rights against infringements, to maintain our competitive advantage.

Our intellectual property rights are registered for protection in certain jurisdictions, such as Malaysia and Taiwan, as we have filed for several patent applications at this time. We have been granted 3 patents thus far. To further minimise this risk, proprietary information is restricted to the Managing Director, our R&D team and research partners. We also enter into confidentiality and non-disclosure agreements with the relevant parties as and when necessary.

Harvest Risk

As we are involved in herbal farming, our plantations are exposed to harvest risk, which might lead to a disruption to production of our herbal-based health supplements and affect the Group's margins. These include outbreaks of disease, damage from pests and adverse climate conditions, to name a few.

To counter this, we take a proactive measure by keeping abreast of the latest technologies related to planting materials, disease prevention and farm operations. Furthermore, we have a dedicated agriculture business development division which is responsible for the supply and quality of the raw herbs produced, as well as the development of the herbal parks.

DIVIDEND

In respect of FY2018, the Board had declared and paid an interim single-tier dividend of 0.11 sen per share (FY2017: 0.10 sen). The Group intends to grow stronger and achieve our strategic objectives with the best of our ability. As such, the Board will have to find the right balance between rewarding shareholders and retaining earnings for growth. Our capacity to distribute dividend is subject to the Group's profitability and financing commitments, in addition to capital requirements for potential future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS BY MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER (continued)

LOOKING AHEAD TO 2019

Our achievements in 2018 further strengthened our position towards building a more resilient and yet dynamic Bioalpha. Moving ahead, we are focused on sustaining our continuous growth momentum.

Bioalpha's manufacturing business is expected to remain as the major contributor to the Group in 2019. Domestically, we will continue to introduce new house brand products to sustain interest, while securing new ODM customers. At the same time, we look forward to working with our partner and realising the synergistic benefits the collaboration offer. This alliance enables us to increase our cross-selling opportunities, while adding a new product line and improving our range of offerings to our clients. We are also growing our production capacity to accommodate the anticipated increase in demand.

While 2018 was dominated by the local market, going into 2019, we will focus on expanding our export sales. In China, the Group is entering the B2C scene to tap into the Chinese mass market to promote our house brand products. We expect our sales in China to improve this year as we anticipate the first set of orders from our new Chinese partner in the first half of 2019. Meanwhile, we look forward to higher earnings contributions from Indonesia following the commencement of production for health supplement products.

For our retail pharmacy business, we are working on strengthening our retail pharmacy outlets presence, with the aim of opening more outlets in the next 12 months especially in the Southern region. With additional upcoming outlets, pairing with roll-outs of new house brand products, we are confident the retail pharmacy division will continue to grow in 2019.

On the agriculture front, we remain focused on developing both our herbal parks in Pasir Raja and Desaru. Our progress is currently on course for completion in 2020. For now, our farming activities are still in gestation period as some crops take longer periods to mature. Nonetheless, we anticipate our agriculture business to start contributing from 2019 onwards as we add more crops, while more plants are also reaching maturity. The rise in harvest volume also presents an opportunity for us to add another income stream by selling fresh or processed herbs to external customers on wholesale basis.

In summary, we are positive on the Group's 2019 prospects, underpinned by our robust growth plans across all divisions within the Group. We remain focused on our endeavours with the ongoing initiatives, in pursuit of maximising value for our shareholders.

APPRECIATION

My deepest appreciation goes to the Board of Directors for their wise council and guidance. I would also like to thank our management and staff for their continued hard work and dedication which have played a key role in the Group's growth during the year.

My sincerest gratitude also goes to all our stakeholders, including our shareholders, suppliers, customers and government agencies, for their support and contribution to Bioalpha. Looking ahead, we remain committed to grow the business as we strive to create greater shareholders' value in 2019.

Hon Tian Kok @ William
Managing Director/Chief Executive Officer

Health Tonic for Women

CORPORATE **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 a pharmaceutical industry, 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 gather information on areas they may have the most concerns. Our key stakeholders and their areas of interest based on our various engagements with them are set out below:

Stakeholders	Engagement methods
Investors and shareholders	• Annual Report • Quarterly Bursa announcements • AGM for shareholders • Corporate website with Investor Relation updates • Media News/ releases • Analyst Reports/ Interview • Email communications – investorrelations@bioa.com.my
Employees	• Employee handbook- code of conduct • New Staff Orientation • Trainings and teambuilding • Whistle blowing policy in place
Customers	• Customers visit by sales personnel • Factory visits by customers • Exhibition/ Trade shows • Awareness programmes and health forums
Suppliers	• Supplier selection process • Suppliers assessment • Meetings with suppliers
Regulators	• Seminar/ updates from government agencies • Internal processes in place to ensure compliance with relevant 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.

CORPORATE **SUSTAINABILITY STATEMENT** (continued)

OUR COMMITMENT

We regard corporate sustainability as our commitment to create long term value for our shareholders, environment and society through innovation and overall operational excellence. We understand the choices we make today will have an impact on our stakeholders 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 management and staff 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 requirements. To meet these requirements, quality assurance principles are incorporated into our manufacturing processes 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 materials and energy resources are used efficiently to minimise waste. These include monitoring energy consumption, materials planning and waste management.

ECONOMY INITIATIVES

We remain committed to delivering shareholder value and our key highlights in 2018 are as follows:

Group revenue	RM 70.1 million
PBT	RM 14.7 million
Market capitalisation	RM 176 million
Dividends paid	Interim single-tier dividends to shareholders in respect of the financial year amounting to a total of 0.11 sen per share

The Board values its dialogue with shareholders, the investment community and other 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 meetings held in 2018.

Research & Development (R&D)

Given our reach in the pharmaceutical arena, we are dedicated to maintaining the affordability and accessibility of health supplements while upholding our standards of safety, quality and efficacy. We are able to ensure this through our commitment to R&D in high quality and cost competitive supplement products for various segments. Our R&D efforts have focused on the advancement of botanical solutions for treatment of type 2 diabetes and as an alternative to Hormone Replacement Therapy for menopausal syndrome management.

Our investment in R&D has also enabled us to boost productivity and earnings through cutting edge innovation. In the health supplement sector, our work on Kacip Fatimah will enable us to enhance the marketability of local herbs as phytomedicine.

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 includes 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.

The brief information of the Group's workforce is set out below:

Level	Top Management	Employee
Malay	40%	64%
Chinese	60%	25%
Indian	0%	4%
Others	0%	6%
Gender Diversity %		
Male	73%	43%
Female	27%	57%

Training and Development

The Group career development and progression opportunities for the employees through in-house training, attending seminars, workshops and talks. This will equip them with the latest job-related updates and knowledge/know-how. The budget allocation for director and employee training for year 2018 was RM150,000.

CORPORATE **SUSTAINABILITY STATEMENT** (continued)

The total training hour was as below:

Category of training	Hours
External Internal	258.5 14

Festive Celebrations 2018

Program	Date
Annual Dinner & Hari Raya Open House	30.06.2018
Festival Open House - CNY Open House & MPM award - Deepavali Celebration & MPM award	 27.02.2018 12.11.2018

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.

SOCIAL INITIATIVES (CONT'D)

Occupational Safety and Health (cont'd)

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

CSR activities	Date
Visit Orphanage, Semenyih	09.06.2018
CSR Pasir raja Kg Shukor, Kg Pasir raja	17.01.2018

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 30 April 2019.

CORPORATE **SOCIAL RESPONSIBILITY**

As a company who puts the well-being of community as their top priority, we actively organize CSR to aid the less fortunate groups.

FOOD & NUTRITION

COMMUNITY ACTIVITY

HUMAN RESOURCE DEVELOPMENT

CORPORATE **SOCIAL RESPONSIBILITY** (continued)

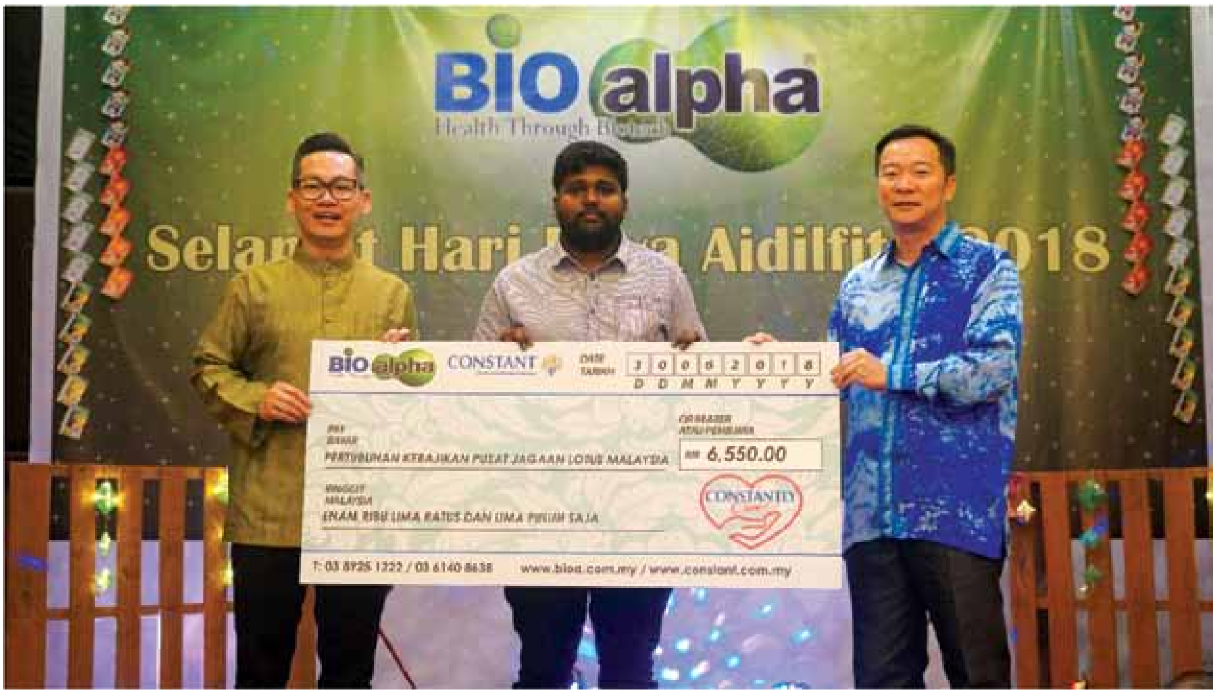
Visit to Pertubuhan Kebajikan Pusat Jagaan Lotus Malaysia Orphanage and Skin Cancer Patient House

In 09 June 2018, we organized a half-day visit to Pertubuhan Kebajikan Pusat Jagaan Lotus Malaysia Orphanage, which is home to 26 children and 5 babies. We had the chance to spend time with the children while having fun activities and entertainment programs such as musical chair, paper airplane and colouring contest with wonderful presents for them.

Bioalpha donated essential items, including wet and dry food such as baby milk powder, rice, oil, canned food and household items, toiletries which were personally presented by our Group General Manager Mr. John and Constant Phamarcy CEO Mr. Ow to the representatives at the orphanage Mrs. Sarah.

The visit allowed us an opportunity to have an up-close understanding about the children's needs. We hope that the time spent together was uplifting, the groceries supplied and the token would contribute some measure of comfort and improvement to the welfare of the children.

Bioalpha invited Pertubuhan Kebajikan Pusat Jagaan Lotus Malaysia Orphanage to our special events held at Perdana Ballroom @ Palm Garden Hotel, IOI Resort City, Putrajaya in July 2018. During the event Bioalpha gave a donation of RM 6,550.00 to the orphanage.



CORPORATE **SOCIAL RESPONSIBILITY** (continued)

As part of Constant Pharmacy's Corporate Social Responsibility ("CSR") Program, a team visited a skin cancer patient - Mr Tham on 19th January 2019 in Cheras. Constant donated 4 cans of Glucerna triple care milk powder, cash support of RM700 and also provided job opportunity for Mr.Tham to take part in packing of Constant breast milk bag.

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

KIP Mall:
Lot G-45, Jalan Warisan Sentral 3,
Kip Sentral, Kota Warisan,
43900 Selangor.
Office No: 03-8705 9018

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

BANGI:
35-G-1, Jalan Medan Pusat
Bandar 1A, Seksyen 9,
43650 Bandar Baru Bangi,
Selangor.
Tel: 03-8923 1018

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:
No. 6-GF, Jalan Kristal K7/K,
Seksyen 7, 40000, Shah Alam,
Selangor.
Tel/ Fax : 03-5523 3033

TAMAN WANGSA UKAY, AMPANG:
No. 14A, Jalan Wangsa 2, Taman
Wangsa Ukay, 68000 Ampang,
Selangor.
Tel: 03-4162 7018

PERAK

CHERMO:
No. 11-GF, Laluan Klebang 21,
Klebang Perdana, 31200, Chermo,
Perak.
Whatsapp/sms: 010-564 9018

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

NEGERI SEMBILAN

BANDAR SRI SENDAYAN
No. 26, Persiaran Metro Sendayan
1, Sendayan Metro Park, 71950,
Bandar Sri Sendayan, Negeri
Sembilan.
Whatsapp/sms: 011-214 9918

KELANTAN

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

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

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

OPENING SOON:
Johor Bahru, Johor

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 2017 ("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 2018 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 decision of the Board are defined in the Board Charter, which is available on the Company's website 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 on 3 January 2012 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** (continued)

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 Paragraph 4 of 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 Paragraph 4 of 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 provide 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 discharging their functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and their responsibilities include:

- 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** (continued)

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.

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 regulations 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 various business units may 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 each Board Committees, namely, the AC, NC, RC, RMC and SIS Option Committee briefs the Board on matters discussed as well as decisions made within 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 Company's website at www.bioa.com.my.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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 practices 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 corrective action to be taken where appropriate. The Whistle Blowing Policy can be assessed at the Company's website at www.bioa.com.my.

Part II - Board Composition

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's 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;
two (2) Non-Independent Non-Executive Directors; and
three (3) Independent Non-Executive Directors.

The profile of each Director is presented separately in pages 11 to 19 of this Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS**
(continued)

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 necessarily 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 the 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, Market and 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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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 procedures are 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 assess and recommend 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 new candidates, the NC will not solely rely on recommendations from existing Board members, Management or Major Shareholders, but will consider utilising independent sources. During the financial year, there is no new appointment of any new Director.

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 are as follows:

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

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

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

i) reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution;
ii) reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board; and
iii) conducted annual evaluation of performance of the Board.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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

Part II - Board Composition (Cont'd)

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, in view of to meeting current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of individuals or individual directors, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are tabulated based on 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 2018, 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 2018, 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 continued to fulfil the definition of independence as set out in the AMLR.

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 fulfil 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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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 (Cont'd)

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 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	5/6
Dato' Norhalim Bin Yunus	5/6
Dato' Rosely Bin Samsuri	6/6
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	5/6
Dr. Nik Ismail Bin Nik Daud	6/6
Mohd Nasir Bin Abdullah	6/6

5.1.2 Continuing Education Programs/ Directors' Training

All Directors appointed to the Board 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 technology 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 allocated annual funds for the above training needs.

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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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:

Director	Seminars / Conferences / Training Programmes Attended
Tan Sri Abdul Rahman Bin Mamat	• ICAAP Workshop For Financial Holding Companies, Price Waterhouse Cooper/ MIDF • BNM-FIDE FORUM DIALOGUE: Managing Cyber Risks in Financial Institutions, Bank Negara • Breakfast talk on Industrial Revolution 4.0 by MITI / MTDC Busatra Malaysia • Sustainability Report - Setting the Agenda for Value Creation Busatra Malaysia • 1.5 Days In-House Training Programe on Corporate Governance, MICG / MIDF • 4.0 Next Gen Manufacturer Conference - INTEL • Trade and Customs" and "Merger Control / Competition" PARKSON in House Training (Lion Group) • Emerging Risks, The Future Board and Return on Compliance, ICLIF / FIDE – PART 1 • Emerging Risks, the Future Board and Return on Compliance ICLIF / FIDE - PART 2 • Board Conversations - Dialogue with Senior Officials of Bank Negara Malaysia" FIDE FORUM • Board Evaluation & Board Effectiveness Assessment – Moving the Performance Paradigm – MICG /MTDC
Hon Tian Kok @ William	• Fund Managers & Analysts Briefing at MITIN Conference Centre • CGS-CIMB in Collaboration with Bursa Malaysia - Non-Deal Investors Roadshow in Singapore • Seminar on Business Success and Strategy

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)

Director	Seminars / Conferences / Training Programmes Attended
Dato Norhalim Bin Yunus	• The Conference on the Emerging Technologies That Matter - MIT Technology Review • Higher Education Forum (IEHEF) 2018 : Islamic Economies @ IR4.0 - Discussion on Talent, Innovation & Enablers -Ministry of Higher Education (MoHE) • 1.5 days in house training programme on Corporate Governance Framework - Malaysian Institute of Corporate Governance (MICG) • Industrial Transformation – Future of Manufacturing Summit : "Getting Real with the Business of Industry 4.0" - Hannover Messe • 4th USIMP National Patent Fair and Annual Congress - Challenges of the Malaysian Research & Innovation Ecosystem - University - Industry Cooperation Centers Platform of Turkey (USIMP) and Human Life Advancement Foundation (HLAF) • MICG Half-day Seminar on 'Board Evaluation & Board Effectiveness Assessment - Moving the Performance Paradigm' - Malaysian Institute of Corporate Governance (MICG) • National Forum of Technology Business Incubators Indonesia : - Ministry of Research, Technology and Higher Education, Republic of Indonesia in cooperation with the Association of Indonesia Business Incubators (AIBI)Development Program of International Incubators - Ecosystem Support for Incubatees in Malaysia
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	• International Conference 2018 • AAAP Animal Science Congress
Dr. Nik Ismail Bin Nik Daud	• ProPak Food technology Seminar, Yangoon Myanmar • Malaysia-Taiwan Industrial Summit, Kuala Lumpur. • 19th World Congress of Food Science and Technology, Mumbai India
Mohd Nasir Bin Abdullah	• Seminar Bajet 2018 • Seminar in MFRS 9 • Malaysia Tax Conference
Ho Tze Hiung	• Effective Leadership • Project Management • Effective Communication • JCI Malaysia Annual National Convention 2018

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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)

Save as disclosed above, Dato' Rosely Bin Samsuri was not able to attend any seminars and/or training programmes during the financial year due to overseas travelling and his busy work schedule. However, he has kept himself abreast on financial and business matters through readings and attending overseas meetings to enable them to contribute to the Board. He is also aware of his duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the AMLR on continuing education.

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.

Part III - Remuneration

The Board acknowledges the level and composition of remuneration of directors and senior management while taking 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 reasonably 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 decision 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 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 Remuneration Committee ("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 *(Independent Non-Executive Director)*
Members: Dr. Nik Ismail Bin Nik Daud *(Independent Non-Executive Director)*
Dato' Norhalim Bin Yunus *(Non-Independent Non-Executive Director)*

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

Part III - Remuneration (Cont'd)

6. Level and Composition of Remuneration (Cont'd)

6.2 Remuneration Committee ("RC") (Cont'd)

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.

7. Remuneration of Directors

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	–	675,013	675,013
Non-executive Directors	261,600	60,800	322,400

* *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 in the Corporate Governance Report which is accessible to the public for reference at the Company's website at www.bioa.com.my.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS**
(continued)

PRINCILE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

8. Effective and Independent Audit Committee

8.1 Chairman of Audit Committee

Mohd Nasir Bin Abdullah, who is an Independent Non-Executive Director, is the Chairman of the Audit Committee. He is a member of Malaysian Institute of Accountants. The Company complied with Practice 8.1 of the MCCG which stipulates that the Chairman of the Audit Committee 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.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC is 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 agreed upon 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 2019.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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

Part I - Audit Committee (Cont'd)

8. Effective and Independent Audit Committee (Cont'd)

8.4 Composition of the Audit Committee

The AC comprises three (3) Non-Executive Directors and two (2) of the AC members are Independent Directors. The present members of the AC are Mohd Nasir Bin Abdullah (Chairman), Dato' Rosely Bin Samsuri and Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim. This composition complied with the requirement of Rule 15.09(1)(a) and (b) of the Listing Requirements, which stipulates that "all the audit committee members must be non-executive directors, with a majority of them being independent directors".

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

8.5 Profile of Audit Committee Members

The profiles of AC members are in pages 16 to 18 of this Annual Report.

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 assess current and emerging risks and respond adequately 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 an 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 with prime consideration 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 pages 66 to 68 of the Statement on Risk Management and Internal Control of this Annual Report, which has been reviewed by the External Auditors.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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

Part II – Risk Management and Internal Control Framework (Cont'd)

9. Effective Risk Management and Internal Control Framework (Cont'd)

9.1 Risk Management Committee ("RMC")

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

Chairman: Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim *(Independent Non-Executive Director)*
Members: Mohd Nasir Bin Abdullah *(Independent Non-Executive Director)*
Ho Tze Hiung *(Executive Director)*

10. Internal Audit Function

The details of the Group's internal audit function is elaborated in pages 70 to 72 on the AC Report of this Annual Report.

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 with 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 embraces 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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS** (continued)

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

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 and 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 shareholders to directly engage with the Board and Senior Management 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 28 days prior to its forthcoming 8th AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the 8th AGM. Notice of the 8th 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.

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 2018 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 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.

CORPORATE GOVERNANCE **OVERVIEW STATEMENTS**
(continued)

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 2018. 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 30 April 2019.

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

The 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 are 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 in an ongoing 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 2018, 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.

STATEMENT ON **RISK MANAGEMENT AND INTERNAL CONTROL**

A. INTRODUCTION

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

B. BOARD RESPONSIBILITY

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

C. RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. the Board is thus committed to continually promote the culture of risk awareness and builds the necessary knowledge in identifying, evaluating, mitigating, monitoring and managing the significant risks on an on-going basis. In discharging its responsibilities, the Board has taken into account the guidance of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

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** (continued)

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 including 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 RM50,000 for the financial year ended 31 December 2018.

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 ARMC 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 65 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 the Management to ensure the 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.

Expectations of the Board are clearly discussed with, and understood by, the 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**
(continued)

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

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, 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 AC 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 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 2018 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 30 April 2019.

AUDIT **COMMITTEE REPORT**

The Audit Committee 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

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

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee which lay 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 2018, the Audit Committee 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	5/5
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	4/5

* Member of Malaysian Institute of Accountants

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

The activities of the Audit Committee during the financial year ended 31 December 2018 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 2018;

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**
(continued)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR (CONT'D)

e) Evaluated the performance of the External Auditors for the financial year ended 31 December 2018 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 professional Internal Audit firm. The head of the internal audit firm is led by Mr Jason Tee who has 13 years' experience and reports directly to the Audit Committee to ensure impartiality and independence. 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 RM50,000.

INTERNAL AUDIT FUNCTIONS (CONT'D)

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

i) Farming Operation Review

Key Objectives:-

Production Planning and Reporting

- To determine the production plan would cater for annual target and approved by Management;
- To ensure the actual output is monitored accordingly to achieve constant output throughout the year; and
- To ensure regular report on production status to Management for monitoring.

Pest/Disease/ Weeding Control

- To ensure the chemicals applied are in accordance with approved quantity and schedule.

Resource Planning

- To determine the sufficiency of resources.

ii) Surprise Audit Review

Key Objectives:-

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

iii) Quality Assurance/ Quality Control Management Review

Key Objectives:-

- To ensure raw material received and production output are appropriately inspected and tested based on approved product standards or prescribed criteria;
- To ensure that the effective testing and inspection methods are defined and implemented;
- To ensure contamination and its implication on product safety and quality are promptly identified, traceable, reported, evaluated and resolved; and
- To ensure the customer enquiries and complaints are recorded and adequately followed up.

AUDIT **COMMITTEE REPORT**
(continued)

INTERNAL AUDIT FUNCTIONS (CONT'D)

During the financial year, the following activities were carried out by the internal auditors in discharge of its responsibilities: (Cont'd)

iv) Laboratory Procedure Review

Key Objectives:-

- To determine the laboratory's policies, procedures and instructions are documented and adhered to;
- To ensure existing products and new products are researched and developed based on Management approved Product Development Plan;
- To ensure the progress and result of each product researched and developed is adequately monitored by Management, and appropriate changes are authorised accordingly;
- To determine the completeness of the documentation and recording for each product researched and developed is safely kept by responsible Department;
- To ensure timely registering of newly developed products (i.e. patent; trade mark; or register); and
- To ensure timely renewal or register of products with National Pharmaceutical Regulatory Agency.

The Audit Committee and the Board agreed that the internal audit review was done in accordance with the audit plan and the coverage was 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 pages 66 to 68 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 2018 were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	30,000	162,425
Non-Audit Services Rendered		
(a) Review of Statement on Risk Management and Internal Control	5,000	5,000

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 2018.

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. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

On 1 November 2018, the Company has announced to fix the issue price for 59,509,900 Placement Shares at RM0.24 each share ("Issue Price"). The 49,509,900 new ordinary shares in the Company were allotted and issued pursuant to the Private Placement that was announced on 1 October 2018. The Board shall re-fix the issue price for the remaining 10,000,000 Placement Shares in due course.

The status of utilisation of the proceeds of approximately RM11.88 million is as follow:-

No.	Purpose	Approved Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Intended time Frame for Utilisation (from 10 January 2018)
(a)	Acquisition of business to be identified	8,000	–	8,000	Within 24 months
(b)	Working capital for its potential new businesses	3,232	–	3,232	Within 24 months
(c)	Estimated expenses	650	(650)	–	Within 2 weeks
	Total	11,882	(650)	11,232	

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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/(Loss) for the financial year	11,602,737	(289,209)
Attributable to:		
Owners of the parent	11,585,845	(289,209)
Non-controlling interests	16,892	–
	11,602,737	(289,209)

RESERVES AND PROVISIONS

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

DIVIDENDS

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

	RM
An interim single-tier dividend of RM0.001 per ordinary share in respect of the financial year ended 31 December 2017 on 8 January 2018	809,250
An interim single-tier dividend of RM0.0011 per ordinary share in respect of the financial year ended 31 December 2018 on 18 October 2018	891,000
	1,700,250

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

DIRECTORS' **REPORT**
(continued)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the number of issued and paid-up ordinary shares of the Company was increased as follows:

(i) the issuance of 49,509,900 new ordinary shares through Private Placement at an issue price of RM0.24 per ordinary share; and
(ii) the issuance of 1,450,000 new ordinary shares through the exercises of the Share Issuance Scheme ("SIS") options at an exercise price of RM0.205.

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

There was no issuance of debentures during the financial year.

WARRANTS

The Warrants were constituted under the Deed Poll dated 23 November 2016 as disclosed in the Note 16(b) to the financial statements.

As at 31 December 2018, 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 to the financial statements.

As at 31 December 2018, 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
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim
Mohd Nasir Bin Abdullah
Dr. Nik Ismail Bin Nik Daud

DIRECTORS (CONT'D)

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:

Asman Shah Bin Abd Rahman
Ng Yau Loong
Dato' Ng Ah Kow (alternative Director to Ng Yau Loong)
Datin Mariani Binti Ahmad Nizaruddin
Haji Ahmad Bin Haji Ma'in^
Masrah Binti Ahamad#
Muhamad Sufian Bin Hussin (alternative Director to Masrah Binti Ahamad)#

* *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 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

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

		Number of ordinary shares		
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Interests in the Company:				
Direct interests				
Tan Sri Abdul Rahman Bin Mamat	–	500,000	–	500,000
Hon Tian Kok @ William	113,087,107	9,492,893	–	122,580,000
Dato' Rosely Bin Samsuri	407,999	100,000	–	507,999
Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim	–	500,000	200,000	300,000
Mohd Nasir Bin Abdullah	50,000	–	50,000	–
Dr. Nik Ismail Bin Nik Daud	500,000	–	–	500,000
Indirect interests				
Hon Tian Kok @ William*	23,849,243	2,450,757	–	26,300,000

		Number of Options over ordinary shares		
	At 1.1.2018	**Granted**	**Exercised**	**At 31.12.2018**
Interests in the Company:				
Direct interests				
Tan Sri Abdul Rahman Bin Mamat	500,000	–	500,000	–
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
Dato' Rosely Bin Samsuri	100,000	–	100,000	–
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	500,000	–	500,000	–
Mohd Nasir Bin Abdullah	400,000	–	–	400,000

DIRECTORS' **REPORT**
(continued)

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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: (Cont'd)

		Number of Warrants		
	At 1.1.2018	**Granted**	**Disposed**	**At 31.12.2018**
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.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 31(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

There was no indemnity given to or insurance effected for Directors, officers or auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

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

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

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

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

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

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

(d) In the opinion of Directors:

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

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

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

SUBSIDIARY COMPANIES

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

AUDITORS' REMUNERATION

The details of auditors' remuneration are set out in Note 25 to the financial statements.

DIRECTORS' **REPORT**
(continued)

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 April 2019.

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

KUALA LUMPUR

STATEMENTS BY **DIRECTORS**
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

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 88 to 180 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 2018 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 30 April 2019.

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

KUALA LUMPUR

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

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 88 to 180 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 30 April 2019.)

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 2018 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 88 to 180.

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 2018, 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
(continued)

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 As at 31 December 2018, the carrying amount of goodwill on consolidation amounted to RM5,841,157 mainly arising from acquisition of Mediconstant Holding Sdn. Bhd. Goodwill were tested for impairment annually in accordance to MFRS 136 *Impairment of Assets.* This assessment requires management to make estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on.	Our procedures performed in relation to managements' impairment assessment and testing included the following: - assessed the reliability of the cash flows forecasts and supporting evidence of the underlying assumptions, by checking to approved budgets and comparing to recent performance and prior years' forecasted results; - performed sensitivity analysis on the key inputs (including discount rates and long term growth rates) to the impairment model, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill at the end of the reporting period; - checked the key assumptions used by management, in particular, revenue volume growth rate and margins by product comparing to business plans, historical results and market data; - tested the discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit; and - considered the adequacy of management's disclosures in the financial statements.

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

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

Key Audit Matters (Cont'd)

Key audit matters	How we addressed the key audit matters
2. Assessment of carrying amount of development expenditure	
As at 31 December 2018, the carrying amount of development expenditure amounted to RM35,577,519. Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently judgmental. We focused on this area because of the significance of the costs capitalised and the fact that there is judgment involved in assessing whether the criteria, set out in MFRS 138 *Intangible Assets*, required for capitalisation of such costs have been met, including the likelihood of the project delivering sufficient future economic benefits. Where the costs incurred are internally generated, there is further judgment required in the calculation, such as the accuracy of amount of time spent on the projects. We also focused on whether there is objective evidence of the carrying value for development expenditures are impaired.	We discussed with management on their assessment as to whether development projects in-progress were still expected to deliver sufficient positive economic benefits upon their completion. For completed development projects, we considered whether the useful economic lives remained appropriate for those assets. Our procedures included the following: - tested the operating effectiveness of relevant internal controls related to the capitalisation of cost of developed intangible assets such as employee costs and development costs, according to respective projects; - tested the amounts capitalised during the reporting period are in accordance with the requirements of MFRS 138 *Intangible Assets*; - assessed the reliability of management's forecast through the review of past trends of actual financial performance against previous forecasted results; - tested the discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business, comparisons to other similar companies, economic and industry forecasts where appropriate. We considered evidence available to support the discount rates used, and consistency with findings from other areas of the audit; - 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; and - assessed the adequacy and reasonableness of the disclosures in the financial statements.

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

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

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 (continued)

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
(continued)

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

TAN TIAN WOOI
Approved Number: 02969/05/2020 J
Chartered Accountant

KUALA LUMPUR

30 April 2019

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	47,568,284	37,238,407	6,029	629
Investment in subsidiary companies	5	–	–	13,716,336	13,716,336
Goodwill on consolidation	6	5,841,157	5,334,030	–	–
Development expenditures	7	35,577,519	30,532,011	–	–
		88,986,960	73,104,448	13,722,365	13,716,965
Current Assets					
Biological assets	8	643,350	189,253	–	–
Inventories	9	9,028,301	7,590,088	–	–
Trade receivables	10	39,531,732	31,725,639	–	–
Other receivables	11	17,166,178	14,858,285	127,448	867,095
Amount due from subsidiary companies	12	–	–	72,520,699	53,746,760
Tax recoverable		463,429	624,861	99,000	99,000
Other investments	13	11,001	10,600	–	–
Fixed deposits with licensed banks	14	18,590,714	18,743,162	8,200,000	16,000,000
Cash and bank balances		4,525,994	6,971,555	21,385	980,352
		89,960,699	80,713,443	80,968,532	71,693,207
Total Assets		178,947,659	153,817,891	94,690,897	85,410,172

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2018
(continued)

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
EQUITY					
Share capital	15	99,763,799	87,453,673	99,763,799	87,453,673
Reserves	16	57,856,783	47,981,991	(5,326,464)	(4,015,755)
Equity attributable to owners of the parent		157,620,582	135,435,664	94,437,335	83,437,918
Non-controlling interests		(303,113)	(803,158)	–	–
Total Equity		157,317,469	134,632,506	94,437,335	83,437,918
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	18	415,906	474,878	–	–
Borrowings	19	4,810,429	2,616,540	–	–
Deferred tax liabilities	20	6,481,014	4,057,259	–	–
		11,707,349	7,148,677	–	–
Current Liabilities					
Trade payables	21	5,031,071	4,879,106	–	–
Other payables	22	3,844,881	6,458,783	248,762	975,048
Amount due to a subsidiary company	12	–	–	4,800	997,206
Finance lease liabilities	18	157,968	172,483	–	–
Borrowings	19	765,740	523,336	–	–
Tax payable		123,181	3,000	–	–
		9,922,841	12,036,708	253,562	1,972,254
Total Liabilities		21,630,190	19,185,385	253,562	1,972,254
Total Equity and Liabilities		178,947,659	153,817,891	94,690,897	85,410,172

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 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	23	70,090,353	55,917,339	1,625,988	1,444,050
Cost of sales		(39,532,424)	(33,884,429)	–	–
Gross profit		30,557,929	22,032,910	1,625,988	1,444,050
Other income		3,478,393	8,156,719	496,065	779,442
Net loss on impairment of financial assets	25	(55,083)	(86,858)	–	–
Administrative expenses		(18,992,077)	(20,539,231)	(2,186,408)	(3,210,887)
Finance costs	24	(296,569)	(188,816)	–	–
Profit/(Loss) before taxation	25	14,692,593	9,374,724	(64,355)	(987,395)
Taxation	26	(3,089,856)	(1,897,896)	(224,854)	(8,563)
Profit/(Loss) for the financial year		11,602,737	7,476,828	(289,209)	(995,958)
Other comprehensive income:					
Item that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation		(136,754)	26,278	–	–
Total comprehensive income/ (loss) for the financial year		11,465,983	7,503,106	(289,209)	(995,958)
Profit/(Loss) for the financial year attributable to:					
Owners of the parent		11,585,845	7,864,983	(289,209)	(995,958)
Non-controlling interests		16,892	(388,155)	–	–
		11,602,737	7,476,828	(289,209)	(995,958)
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		11,449,091	7,891,261	(289,209)	(995,958)
Non-controlling interests		16,892	(388,155)	–	–
		11,465,983	7,503,106	(289,209)	(995,958)
Earnings per share:					
Basic (sen)	27	1.41	0.98		
Diluted (sen)	27	1.22	0.84		

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

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to Owners of the Parent										
		Non- Distributable							Distributable			
Group	**Note**	**Share Capital RM**	**Share Premium 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**
At 1 January 2018, as previously reported		87,453,673	–	16,853,263	967,500	(4,969,130)	(906)	(16,853,263)	51,984,527	135,435,664	(803,158)	134,632,506
Opening balance adjustment from adoption of MFRS 9		–	–	–	–	–	–	–	(69,646)	(69,646)	–	(69,646)
At 1 January 2018, as restated		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 income/ (loss) for the financial year		–	–	–	–	–	(136,754)	–	11,585,845	11,449,091	16,892	11,465,983
Transactions with owners:												
Issuance of ordinary shares	15	11,882,376	–	–	–	–	–	–	–	11,882,376	–	11,882,376
Exercises of SIS	15, 17	427,750	–	–	(130,500)	–	–	–	–	297,250	–	297,250
Dividends to owners of the Company	28	–	–	–	–	–	–	–	(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 2018 (continued)

		Attributable to Owners of the Parent										
		Non- Distributable						Distributable				
Group	Note	Share Capital RM	Share Premium 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
At 1 January 2017		33,333,282	24,724,938	–	–	(4,969,130)	(27,184)	–	44,928,794	97,990,700	(594,890)	97,395,810
Profit/(Loss) for the financial year		–	–	–	–	–	–	–	7,864,983	7,864,983	(388,155)	7,476,828
Foreign exchange translation reserve		–	–	–	–	–	26,278	–	–	26,278	–	26,278
Total comprehensive income/(loss) for the financial year		–	–	–	–	–	26,278	–	7,864,983	7,891,261	(388,155)	7,503,106
Transactions with owners:												
Issuance of rights issue with detachable free Warrants	15, 16	6,666,657	19,999,969	16,853,307	–	–	–	(16,853,307)	–	26,666,626	–	26,666,626
Exercises of Warrants	15, 16	77	–	(44)	–	–	–	44	–	77	–	77
Share options granted under SIS	16	–	–	–	1,800,000	–	–	–	–	1,800,000	–	1,800,000
Exercises of SIS	15, 17	2,728,750	–	–	(832,500)	–	–	–	–	1,896,250	–	1,896,250
Dividends to owners of the Company	28	–	–	–	–	–	–	–	(809,250)	(809,250)	–	(809,250)
Net change of non-controlling interests		–	–	–	–	–	–	–	–	–	179,887	179,887
Total transactions with owners		9,395,484	19,999,969	16,853,263	967,500	–	–	(16,853,263)	(809,250)	29,553,703	179,887	29,733,590
Transfer in accordance with Section 618(2) of the Companies Act, 2016		44,724,907	(44,724,907)	–	–	–	–	–	–	–	–	–
At 31 December 2017		87,453,673	–	16,853,263	967,500	(4,969,130)	(906)	(16,853,263)	51,984,527	135,435,664	(803,158)	134,632,506

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

Company	Note	Share Capital RM	Share Premium RM	Warrant Reserve RM	SIS Option Reserve RM	Other Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2017		33,333,282	24,724,938	–	–	–	(3,178,047)	54,880,173
Loss for the financial year, representing total comprehensive loss for the financial year		–	–	–	–	–	(995,958)	(995,958)
Transactions with owners:								
Issuance of rights issue with detachable free Warrants	15, 16	6,666,657	19,999,969	16,853,307	–	(16,853,307)	–	26,666,626
Exercise of Warrants	15, 16	77	–	(44)	–	44	–	77
Share options granted under SIS	15, 16	–	–	–	1,800,000	–	–	1,800,000
Share issuance SIS	16	2,728,750	–	–	(832,500)	–	–	1,896,250
Dividends to owners of the Company	28	–	–	–	–	–	(809,250)	(809,250)
Total transactions with owenrs		9,395,484	19,999,969	16,853,263	967,500	(16,853,263)	(809,250)	29,553,703
Transfer in accordance with Section 618(2) of the Companies Act, 2016		44,724,907	(44,724,907)	–	–	–	–	–
At 31 December 2017		87,453,673	–	16,853,263	967,500	(16,853,263)	(4,983,255)	83,437,918

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

Company	**Note**	**Share Capital RM**	**Share Premium RM**	**Warrant Reserve RM**	**SIS Option Reserve RM**	**Other Reserve RM**	**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	15	11,882,376	–	–	–	–	–	11,882,376
Exercises of SIS	15, 17	427,750	–	–	(130,500)	–	–	297,250
Dividends to owners of the Company	28	–	–	–	–	–	(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

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

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows From Operating Activities					
Profit/(Loss) before taxation		14,692,593	9,374,724	(64,355)	(987,395)
Adjustments for:					
Amortisation of development expenditures		3,566,987	2,999,149	–	–
Amortisation of deferred capital grant		(734,080)	(428,032)	–	–
Amortisation of biological assets		106,441	–	–	–
Bad debts written off		–	1,006	–	–
Biological assets written off		204,712	302,283	–	–
Deposits written off		1,500	299	–	–
Depreciation of property, plant and equipment		5,420,663	4,390,017	605	105
Dividend income		–	–	(891,000)	(809,250)
Gain on disposal of property, plant and equipment		(22,526)	–	–	–
Grant income		(1,402,547)	(1,165,205)	–	–
Impairment losses on trade receivables		96,133	130,138	–	–
Impairment losses on other receivables		–	775	–	–
Share based payment		–	1,800,000	–	1,800,000
Finance costs		296,569	188,816	–	-
Interest income		(543,781)	(830,074)	(461,185)	(779,379)
Inventories written off		15,455	–	–	–
Property, plant and equipment written off		587,476	41,770	–	–
Reversal of impairment losses on trade receivables		(35,848)	(44,055)	–	–
Reversal of impairment losses on other receivables		(5,202)	–	–	–
Unrealised loss on foreign exchange		398,117	1,363,425	–	–
Waiver of amount due to trade payables		(86,261)	(15,353)	–	–
Waiver of amount due to other payables		(76,168)	–	–	–
Operating profit/(loss) before working capital changes		22,480,233	18,109,683	(1,415,935)	(775,919)

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows From Operating Activities (Cont'd)					
Changes in working capital:					
Biological assets		(765,250)	(189,252)	–	–
Inventories		(1,453,668)	356,442	–	–
Trade receivables		(8,335,867)	(3,313,806)	–	–
Other receivables		(2,178,731)	2,996,181	739,647	(818,314)
Trade payables		238,226	1,171,738	–	–
Other payables		(993,631)	(508,135)	973,964	911,796
		(13,488,921)	513,168	1,713,611	(93,482)
Cash generated from/(used in) operations		8,991,312	18,622,851	297,676	(682,437)
Government grant received		1,402,547	1,165,205	–	–
Interest paid		(296,569)	(188,816)	–	–
Interest received		543,781	830,074	461,185	779,379
Tax refund		234,682	102,801	–	–
Tax paid		(618,983)	(348,035)	(224,854)	(112,352)
		1,265,458	1,561,229	236,331	667,027
Net cash from/(used in) operating activities		10,256,770	20,184,080	534,007	(15,410)
Cash Flows From Investing Activities					
Additional of development expenditures		(8,612,495)	(14,963,146)	–	–
Purchases of property, plant and equipment	4(e)	(15,046,825)	(11,112,253)	(6,005)	–
Placement of other investment		(401)	(10,600)	–	–
Proceeds from disposal of property, plant and equipment		425,414	–	–	–
Net cash outflows arising from acquisition of business		(800,000)	–	–	–
Deposits paid for purchases of property, plant and equipment		(1,359,315)	(1,710,224)	–	–
Net cash used in investing activities		(25,393,622)	(27,796,223)	(6,005)	–

STATEMENTS OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (continued)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows From Financing Activities					
Net changes on banker's acceptance		(53,000)	(3,000)	–	–
Net changes in amount due to subsidiary companies		–	–	(19,766,345)	(14,671,704)
Net changes in amount due to a director		–	(10,439)	–	(1,049)
Dividends paid		(1,700,250)	–	(1,700,250)	–
(Increased)/Decreased in fixed deposits pledged and maturity more than 3 months		(8,128,300)	(8,018,419)	1,000,000	(8,000,000)
Proceeds from issue of share capital		12,179,626	28,562,953	12,179,626	28,562,953
Proceeds from term loan		3,000,000	–	–	–
Repayment of finance lease liabilities		(342,387)	(221,518)	–	–
Repayment of term loans		(510,707)	(382,700)	–	–
Net cash from/(used in) financing activities		4,444,982	19,926,877	(8,286,969)	5,890,200
Net (decrease)/increase in cash and cash equivalents		(10,691,870)	12,314,734	(7,758,967)	5,874,790
Effect of exchange translation differences		(34,439)	(548,044)	–	–
Cash and cash equivalents at the beginning of the financial year		16,811,555	5,044,865	8,980,352	3,105,562
Cash and cash equivalents at the end of the financial year		6,085,246	16,811,555	1,221,385	8,980,352
Cash and cash equivalents at the the financial year comprises:					
Cash and bank balances		4,525,994	6,971,555	21,385	980,352
Fixed deposits with licensed banks		18,590,714	18,743,162	8,200,000	16,000,000
		23,116,708	25,714,717	8,221,385	16,980,352
Less: Fixed deposits pledged with licensed banks		(1,031,462)	(903,162)	–	–
Less: Fixed deposits maturity more than 3 months		(16,000,000)	(8,000,000)	(7,000,000)	(8,000,000)
		6,085,246	16,811,555	1,221,385	8,980,352

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018

1. CORPORATE INFORMATION

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

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

The registered office of the Company is located at Suite 10.02, 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.

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 amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2014 – 2016 Cycle:	
Amendments to MFRS 1	
Amendments to MFRS 128	

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company generally applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision. The impact arising from MFRS 9 adoption were included in the opening retained earnings at the date of initial application, 1 January 2018.

(a) Classification of financial assets

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 *Financial Instruments*: Recognition and Measurement categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

(b) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities. There were no changes to the classification and measurements of financial liabilities to the Group and the Company.

(c) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company have accounted for expected credit losses and changes in these expected credit losses of each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(d) Effect of changes in classification of financial assets of the Group and of the Company on 1 January 2018

	As at 1.1.2018 RM	Remeasurement RM	Reclassification to MFRS 9 AC RM
Group			
Financial assets			
Loans and receivables			
Trade receivables	31,725,639	(69,646)	31,655,993
Other receivables	10,060,275	–	10,060,275
Fixed deposits with licensed banks	18,743,162	–	18,743,162
Cash and bank balances	6,971,555	–	6,971,555
Company			
Financial assets			
Loans and receivables			
Other receivables	866,599	–	866,599
Amount due from subsidiary companies	53,746,760	–	53,746,760
Fixed deposits with banks	16,000,000	–	16,000,000
Cash and bank balances	980,352	–	980,352

(e) Effect on impairment allowances of the Group on 1 January 2018

	RM
Group	
Impairment of trade receivables	
At 1 January 2018, as previously stated	494,528
Opening balance adjustment from adoption of MFRS 9	69,646
At 1 January 2018, as restated	564,174

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, MFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of MFRS 15 has no material financial impact on the financial statements.

Impact arising from the adoption of MFRS 9 on the Group's financial statements: Statements of Financial Position

	As at 1.1.2018, as previously stated RM	MFRS 9 adjustments RM	As at 1.1.2018, as restated RM
Group			
Trade receivables	31,725,639	(69,646)	31,655,993
Retained earnings	(51,984,527)	69,646	(51,914,881)

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interest in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
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 101	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company plan to apply the abovementioned accounting standards, interpretation and amendments when they become effective.

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 the Company.

2. BASIS OF PREPARATION (CONT'D)

(a) Statements of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 16 *Leases*

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

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

(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

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

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 of property, plant and equipment

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

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value in-use is disclosed in Note 6 to the financial statements.

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for development costs is disclosed in Note 7 to the financial statements.

Recoverability of development costs

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

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the Directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate. The carrying amount at the reporting date for development costs is disclosed in Note 7 to the financial statements.

2. BASIS OF PREPARATION (CONT'D)

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

Key sources of estimation uncertainty (Cont'd)

Amortisation of development costs

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

Amortisation of biological assets

The biological assets have been stated at cost less accumulated amortisation and accumulated impairment losses if any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available. The carrying amount at the reporting date for biological assets is disclosed in Note 8 to the financial statements.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9 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.

Impairment of receivables

The Group reviews the recoverability of its receivables, include trade and other receivables, amounts due from subsidiary companies and related companies 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 carrying amounts at the reporting date for receivables are disclosed in Notes 10 and 11 to the financial statements respectively.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

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 2018, the Group and the Company have tax recoverable and payable of RM463,429 and RM123,181 (2017: RM624,861 and RM3,000) and RM99,000 and RMNil (2017: RM99,000 and 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, 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.

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(j)(i) on impairment of non-financial assets.

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

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

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

(iii) Disposal of subsidiary companies

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

(iv) Goodwill on consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (Cont'd)

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

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

(ii) Foreign operations

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

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

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

(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(j)(i).

(i) Recognition and measurement

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

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.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Recognition and measurement (Cont'd)

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

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

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

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

(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. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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:

Leasehold land	Over the remaining lease
Freehold land and building	50 years
Buildings	50 years
Computer system and peripherals	5 to 10 years
Lab and office equipment, furniture and fittings	5 to 10 years
Signage and display items	5 to 10 years
Plant and machineries	5 to 10 years
Renovations	10 years
Infrastructure expenditures	10 years
Motor vehicles	5 years
Bearer plants	9 months to 15 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Depreciation (Cont'd)

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

(d) Biological assets

Biological assets comprise of expenditure incurred on land clearing, planting, fertilising and other associated cost incurred to upkeep of the crops to maturity. Biological assets are measured at fair value less 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(j)(i).

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

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

As lessee

(i) Finance lease

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

As lessee (Cont'd)

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

(f) Intangible assets

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

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:
- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(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(j)(i) on impairment of non-financial assets for intangible assets.

(g) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Policy applicable from 1 January 2018

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Policy applicable before 1 January 2018

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Policy applicable from 1 January 2018

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(j)(ii)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company 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. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

Policy applicable from 1 January 2018 **(Cont'd)**

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 3(j)(ii)).

Policy applicable before 1 January 2018

In the previous financial year, financial assets of the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, contingent consideration in a business combination or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired principally for the purpose of selling it in the near term. Derivatives, including separated embedded derivatives, are also categorised as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(b) Loans and receivables

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial liabilities

Policy applicable from 1 January 2018

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Policy applicable before 1 January 2018

In the previous financial year, financial liabilities of the Group or of the Company were subsequently measured at financial liabilities measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:
(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:
(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (Cont'd)

(iv) 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 because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Policy applicable from 1 January 2018

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

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

Liabilities arising from financial guarantees are presented together with other provisions.

Policy applicable before 1 January 2018

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

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group and the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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.

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (Cont'd)

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

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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparative.

Policy applicable from 1 January 2018

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Policy applicable before 1 January 2018

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

Financial assets carried at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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

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

(k) 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.

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the 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 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Borrowing costs

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

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

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

(n) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

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

(iii) Equity-settled Share-based Payment Transaction

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits (Cont'd)

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

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.

(o) 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.

(p) Revenue recognition

(i) Revenue from contracts with customers

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

(a) Sales of goods

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

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

(b) Management fee

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

(ii) Revenue from other sources

(a) Interest income

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognition (Cont'd)

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

(b) Dividend income

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

(c) 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.

(q) Income taxes

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(s) Government grants

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

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

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

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

(t) 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 2018
(continued)

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
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 2018
(continued)

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
2017												
Cost												
At 1 January 2017	1,725,900	4,067,129	1,722,406	2,092,242	1,197,609	24,354,346	5,089,896	1,230,675	1,718,819	–	2,523,712	45,722,734
Additions	–	–	503,311	1,240,242	1,058,830	7,479,882	810,086	107,936	1,014,337	190,164	–	12,404,788
Written off	–	–	(5,244)	–	–	(93,000)	–	–	–	–	–	(98,244)
Exchange differences	–	–	(339)	(7,769)	–	(14,201)	(4,744)	–	–	–	–	(27,053)
Reclassification	–	–	–	–	–	–	–	–	2,523,712	–	(2,523,712)	–
At 31 December 2017	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
Accumulated depreciation												
At 1 January 2017	87,240	253,916	1,341,055	1,260,729	698,815	9,377,152	2,214,395	552,704	645,147	–	–	16,431,153
Charge for the financial year	34,974	70,924	107,420	275,711	341,331	2,710,600	503,737	123,011	222,309	–	–	4,390,017
Written off	–	–	(524)	–	–	(55,950)	–	–	–	–	–	(56,474)
Exchange differences	–	–	(18)	(265)	–	(429)	(166)	–	–	–	–	(878)
At 31 December 2017	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
Carrying amount												
At 31 December 2017	1,603,686	3,742,289	772,201	1,788,540	1,216,293	19,695,654	3,177,272	662,896	4,389,412	190,164	–	37,238,407

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

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

Company	Office Equipment RM	Computer and Peripherals RM	Total RM
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

Company			
2017			
Cost			
At 1 January 2017	1,049	–	1,049
Additions	–	–	–
At 31 December 2017	1,049		1,049
Accumulated depreciation			
At 1 January 2017	315	–	315
Charge for the financial year	105	–	105
At 31 December 2017	420	–	420
Carrying amount			
At 31 December 2017	629	–	629

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

(a) Assets pledged as securities to a licensed bank

The carrying amount of property, plant and equipment of the Group pledged to licensed bank as securities for bank facilities granted to its subsidiary company as disclosed in Note 19 to the financial statements:

	Group	
	2018 RM	**2017 RM**
Freehold land and building	1,568,722	1,603,686
Leasehold land and factory building	7,271,366	3,742,289

(b) The remaining lease period of the leasehold land and factory building is 87 to 95 years (2017: 88 years).

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

The carrying amount of property, plant and equipment of the Group pledged to Malaysia Biotechnology Corporation Sdn. Bhd. as securities for the credit facility as disclosed in Note 19 to the financial statements:

	Group	
	2018 RM	**2017 RM**
Plant and machineries	525,000	600,000

(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	
	2018 RM	**2017 RM**
Motor vehicles	1,183,510	841,271

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

NOTES TO THE **FINANCIAL STATEMENTS**
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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(e) Purchase of property, plant and equipment

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

	Group 2018 RM	Group 2017 RM
Aggregate costs	16,527,991	12,404,788
Less: Reclassified from other receivables	(1,212,266)	(676,535)
Less: Finance leases financing	(268,900)	(616,000)
Cash payments	15,046,825	11,112,253

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2018 RM	Company 2017 RM
In Malaysia:		
Unquoted shares, at cost	13,716,336	13,716,336

Details of the subsidiary companies are as follows:

Name of company	Place of Business / Country of Incorporation	Effective Interest 2018 %	Effective Interest 2017 %	Principal activities
Direct holdings:				
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

NOTES TO THE **FINANCIAL STATEMENTS**
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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 2018 %	Effective Interest 2017 %	Principal activities
Direct holdings: (Cont'd)				
Bioalpha (HK) Limited *	Hong Kong	100	100	Research and development, manufactures, importers, exporters, distribution and traders of nutritional and health supplement products
Indirect holdings: **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
Indirect holdings: **Held through Bioalpha Distribution Sdn. Bhd.**				
Alphacare Sdn. Bhd.	Malaysia	85	70	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
Indirect holdings: **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

NOTES TO THE **FINANCIAL STATEMENTS**
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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 2018 %	Effective Interest 2017 %	Principal activities
Indirect holdings: **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.
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
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*

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Changes in group structure

During the financial year:

Acquisition of business

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

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

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

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

Fair value of consideration transferred

	Group 2018 RM
Cash consideration	800,000
Less: Fair value of property, plant and equipment	(292,873)
Goodwill arising from business combination (Note 6)	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

NOTES TO THE **FINANCIAL STATEMENTS**
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5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) Changes in group structure (Cont'd)

During the financial year: (Cont'd)

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 RM104,497 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 loss for the financial year from its continuing operations would have been RM1,445,396 and RM333,996 respectively.

In previous financial year:

(i) On 24 August 2017, Bioalpha East Coast Agro Sdn. Bhd. ("BECA"), a wholly- owned subsidiary company of Bioalpha International Sdn. Bhd. ("BISB") has increased its issued and paid up share capital from RM2,700,000 to RM7,400,000 by the issuance of 4,700,000 ordinary shares by way of capitalisation of amount due to Bioalpha International Sdn. Bhd..

(ii) On 25 September 2017, the Company had incorporated a new wholly-owned subsidiary company, Bioalpha (HK) Limited ("BHKL"), in Hong Kong with the issued share capital of HKD2,000,000.

The effect of acquisition above did not have any material effect on the financial result and position of the Group.

(b) Acquisition of non-controlling interest

On 25 September 2018, the Company had subscribed for additional 2,000,000 new ordinary shares or 15% equity interest in Alphacare Sdn. Bhd. ("Alpha") at an issue price of RM1 each for total consideration of RM2,000,000 satisfied via a combination of capitalising an amount of RM1,800,000 from amount due to holding company and RM200,000 in cash consideration which was used for working capital purposes.

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non- controlling 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	
	2018 %	2017 %	2018 RM	2017 RM	2018 RM	2017 RM
Bioalpha Agro Sdn. Bhd. ("BASB")	28	28	32,331	(80,428)	(25,097)	(57,428)
Bioalpha (Johor Herbal) Sdn. Bhd. ("BJHSB")	49.6	49.6	63,512	(132,491)	(590,232)	(653,744)
Alphacare Sdn. Bhd. ("Alpha")	15	30	(11,900)	(42,376)	104,946	(366,307)
PT Herbal Malindo Makmur ("PTHM")	40	40	(67,051)	(132,860)	207,270	274,321
Total non-controlling interests			16,892	(388,155)	(303,113)	(803,158)

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
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

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5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) 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)

(i) Summarised statements of financial position (Cont'd)

	BASB RM	BJHSB RM	ALPHA RM	PTHM RM
2017				
Non-current assets	1,537,727	82,326	688,130	1,090,530
Current assets	1,299,380	31,905	115,705	378,997
Non-current liabilities	(213,182)	–	–	–
Current liabilities	(2,829,025)	(1,424,360)	(2,024,859)	(825,777)
Net (liabilities)/assets	(205,100)	(1,310,129)	(1,221,024)	643,750

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

	BASB RM	BJHSB RM	ALPHA RM	PTHM RM
2018				
Revenue	1,243,075	801,332	13,499	378,225
Profir/(loss) for the financial year, representing total comprehensive profit/(loss) for the financial year	115,467	128,049	(79,330)	(167,627)
2017				
Revenue	733,900	56,265	–	–
Loss for the financial year, representing total comprehensive loss for the financial year	(287,242)	(267,119)	(141,254)	(332,150)

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(c) 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)

(iii) Summarised statements of cash flows

	BASB RM	BJHSB RM	ALPHA RM	PTHM RM
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)
2017				
Net cash from operating activities	630,722	1,437	354,387	234,654
Net cash used in investing activities	(602,643)	(1,020)	(343,694)	(506,974)
Net cash used in financing activities	(17,544)	–	–	–
Net increase/(decrease) in cash and cash equivalents	10,535	417	10,693	(272,320)

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

6. GOODWILL ON CONSOLIDATION

	Group	
	2018 **RM**	**2017** **RM**
At 1 January	5,334,030	5,334,030
Acquisition through business combination (Note 5)	507,127	–
At 31 December	5,841,157	5,334,030

(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 10% to 16% (2017: 10% to 16%); and

(iii) Pre-tax discount rate of 6.8% (2017: 6.8%) 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.

7. DEVELOPMENT EXPENDITURES

	Group	
	2018 **RM**	**2017** **RM**
Cost		
At 1 January	39,157,202	24,194,056
Additions	8,612,495	14,963,146
At 31 December	47,769,697	39,157,202

7. DEVELOPMENT EXPENDITURES (CONT'D)

	Group 2018 RM	2017 RM
Accumulated amortisation		
At 1 January	8,625,191	5,626,042
Amortisation for the financial year	3,566,987	2,999,149
At 31 December	12,192,178	8,625,191
Carrying amount		
31 December	35,577,519	30,532,011

Development expenditure represents the costs incurred in respect of the on-going botanical drug for Hormone Replacement Theraphy and type 2 diabetics; development of high-value herbal products - *Cordyceps sinensis, Lignosus rhinoceros* and *Ganoderma Lucidum* as an active biological compound for use in health formulations.

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

	Group 2018 RM	2017 RM
Staff costs (Note 30)	368,775	498,574

8. BIOLOGICAL ASSETS

	Group 2018 RM	2017 RM
Cost		
At 1 January	189,253	372,038
Addition	765,250	189,252
Written off	(204,712)	(372,037)
At 31 December	749,791	189,253
Accumulated amortisation		
At 1 January	–	69,754
Amortisation for the financial year	106,441	–
Written off	–	(69,754)
At 31 December	106,441	–
Carrying amount		
At 31 December	643,350	189,253

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8. BIOLOGICAL ASSETS (CONT'D)

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	
	2018 **RM**	**2017** **RM**
Staff costs (Note 30)	336,023	106,374

As at 31 December 2018 the Group has 1,303 acres (2017: 1,303 acres) of herbal plantations.

9. INVENTORIES

	Group	
	2018 **RM**	**2017** **RM**
At cost		
Raw materials	2,110,849	1,569,376
Consumables	1,087,257	649,041
Finished goods	5,830,195	5,371,671
	9,028,301	7,590,088
Recognised in profit or loss:		
Inventories recognised as cost of sales	29,856,423	32,296,193
Inventories written off	(15,455)	–

10. TRADE RECEIVABLES

	Group 2018 RM	Group 2017 RM
Trade receivables	40,156,191	32,220,167
Less: Accumulated impairment losses	(624,459)	(494,528)
	39,531,732	31,725,639

Trade receivables are non-interest bearing and are generally on cash term to 180 days (2017: 30 to 180 days) term. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

11. OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	8,504,490	6,322,019	105,991	57,349
Deposits	4,399,250	3,743,733	–	–
Prepayments	4,244,135	4,681,212	9,522	–
Dividend receivable	–	–	–	809,250
GST recoverable	18,578	116,798	11,935	496
	17,166,453	14,863,762	127,448	867,095
Less: Accumulated impairment losses	(275)	(5,477)	–	–
	17,166,178	14,858,285	127,448	867,095

(a) Included in the deposits of the Group amounting to RM3,056,322 (2017: RM3,011,966) are paid for purchases of property, plant and equipment.

(b) Included in the prepayments of the Group amounting to RM3,831,846 (2017: RM2,342,658) is paid for purchases of property, plant and equipment.

NOTES TO THE **FINANCIAL STATEMENTS**
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12. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

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

13. OTHER INVESTMENTS

	Group	
	2018	**2017**
	RM	**RM**
Current		
Financial assets at fair value through profit or loss:		
- Unquoted money market fund	11,001	10,600

14. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fixed deposits with licensed banks Maturity:				
- less than 3 months	1,559,252	9,840,000	1,200,000	8,000,000
- more than 3 months	16,000,000	8,000,000	7,000,000	8,000,000
Fixed deposits pledged with licensed banks	1,031,462	903,162	–	–
	18,590,714	18,743,162	8,200,000	16,000,000

The interest rates of fixed deposits of the Group and of the Company range from 3.15% to 4.20% (2017: 2.75% to 3.90%) per annum and 3.40% to 4.20% (2017: 3.40% to 3.95%) per annum respectively. The maturities of deposits of the Group and of the Company range from 30 to 365 days (2017: 30 to 365 days).

The fixed deposits with licensed banks of the Group amounted to RM1,031,462 (2017: RM903,162) are pledged to licensed banks and non- financial institution respectively as securities for credit facilities granted to subsidiary companies as disclosed in Note 19 to the financial statements.

15. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2018 Units	2017 Units	2018 RM	2017 RM
Issued and fully paid shares				
At 1 January	809,249,132	666,665,655	87,453,673	33,333,282
Issue of ordinary shares:				
- Private placement	49,509,900	–	11,882,376	–
- Right issues	–	133,333,131	–	6,666,657
Exercise of share option	1,450,000	9,250,000	427,750	2,728,750
Exercise of warrants	–	346	–	77
Transfer in accordance with Section 618(2) of the Companies Act, 2016	–	–	–	44,724,907
At 31 December	860,209,032	809,249,132	99,763,799	87,453,673

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM44,724,907 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the 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 during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

In previous financial year, the number of issued and paid-up ordinary shares of the Company was increased as follows:

(i) Renounceable Rights Issue of 133,333,131 new ordinary shares ("Rights Shares") at an issue price of RM0.20 per Rights Share, together with 133,333,131 free detachable Warrants on the basis of one (1) Rights Share for every five (5) existing ordinary shares held with one (1) Warrants for every one (1) Rights Share subscribed for;
(ii) the issuance of 346 new ordinary shares through the conversion of the Warrants at an issue price of RM0.22 per ordinary share; and
(iii) the issuance of 9,250,000 new ordinary shares through the exercises of the Share Issuance Scheme ("SIS") Options at an exercise price of RM0.205.

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.

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16. RESERVES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Share premium	(a)	–	–	–	–
Warrant reserve	(b)	16,853,263	16,853,263	16,853,263	16,853,263
Other reserve	(c)	(16,853,263)	(16,853,263)	(16,853,263)	(16,853,263)
Share Issuance Scheme Option reserve	(d)	837,000	967,500	837,000	967,500
Merger deficits	(e)	(4,969,130)	(4,969,130)	–	–
Foreign currency translation reserve	(f)	(137,660)	(906)	–	–
Retained earnings/ (Accumulated losses)		62,129,573	51,984,527	(6,163,464)	(4,983,255)
		57,856,783	47,981,991	(5,326,464)	(4,015,755)

(a) Share premium

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Non-distributable :				
At 1 January	–	24,724,938	–	24,724,938
Premium from				
- Right issues	–	19,999,969	–	19,999,969
Transfer to share premium in accordance with Section 618(2) of the Companies Act, 2016	–	(44,724,907)	–	(44,724,907)
At 31 December	–	–	–	–

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618(2) of the new Companies Act 2016 (the “Act”), on 31 January 2017, the amounts standing to the credit of the share premium account become part of the Company’s share capital (Note 15). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM44,724,907 for purposes as set out in Sections 618(3) to pay up the unissued shares and for the bonus issue pursuant to Section 618(4) of the Act.

16. RESERVES (CONT'D)

(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 22 November 2021. 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 2018, the total number of Warrants that remain unexercised were 133,332,785 (2017: 133,332,785).

(c) Other reserve

This represents fair value allocated to the detachable warrants issued in conjunction with rights issue refer to Note 16(b) to the financial statements.

(d) Share Issuance Scheme Option reserve

Share Issuance Scheme option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. Share Issuance Scheme option is disclosed in Note 17 to the financial statements.

(e) Merger deficits

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

	Group	
	2018 RM	**2017 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

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16. RESERVES (CONT'D)

(f) 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.

17. SHARE ISSUANCE SCHEME ("SIS")

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

The salient features of the SIS Options are as follows:

(a) any employee of the Group shall be eligible if as at the date of offer, the employee:

(i) has attained at least eighteen (18) years of age;
(ii) is an employee in a company within the Group, which is not dormant belonging to such categories of employment as determined by the Option Committee; and
(iii) who falls under such categories and criteria that the Option Committee may decide at its absolute discretion from time to time.

(b) any Director of the Group shall be eligible if as at the date of offer, the Director:

(i) is at least eighteen (18) years of age; and
(ii) has been appointed as a Director of a company within the Group, which is not dormant.

(c) The maximum number of new shares to be issued pursuant to the exercise of the SIS Options which may be granted under the SIS Shares shall not exceed thirty percent (30%) of the total issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the SIS;

(d) The options granted may be exercised any time upon the satisfaction of vesting conditions of each offer.

(e) The SIS shall be in force for a period of five (5) years and the last day to exercise SIS Options is on 26 February 2022.

(f) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

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

Date of Offer	Exercise Price RM	Number of options over ordinary shares At 1.1.2018	Granted	Exercised	At 31.12.2018
27 February 2017	0.205	10,750,000	–	(1,450,000)	9,300,000

Number of share options exercisable as at 31 December 2018 is 9,300,000 (2017: 10,750,000). The weighted average share price at the date of exercise for the financial year was RM0.227 (2017: RM0.227) per share option.

17. SHARE ISSUANCE SCHEME ("SIS") (CONT'D)

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

SIS Options	Weighted Average Exercise Price		Exercise Period
	2018 RM	2017 RM	
27 February 2017	0.205	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:

	2018 RM	2017 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.

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18. FINANCE LEASE LIABILITIES

	Group 2018 RM	Group 2017 RM
Minimum lease payments:		
Within one year	180,282	198,049
Later than one year and not later than two years	168,178	167,473
Later than two years and not later than five years	278,666	343,340
	627,126	708,862
Less: Future finance charges	(53,252)	(61,501)
Present value of minimum finance lease payments	573,874	647,361
Present value of minimum finance lease payments		
Within one year	157,968	172,483
Later than one year and not later than two years	150,518	149,502
Later than two years and not later than five years	265,388	325,376
	573,874	647,361
Analysed as:		
Repayable within twelve months	157,968	172,483
Repayable after twelve months	415,906	474,878
	573,874	647,361

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 2.40% to 4.05% (2017: 2.41% to 4.66%) per annum.

19. BORROWINGS

	Group 2018 RM	Group 2017 RM
Current		
Secured		
Banker's acceptances	144,000	197,000
Term loans	621,740	326,336
Non-Current	765,740	523,336
Secured		
Term loans	4,810,429	2,616,540
	5,576,169	3,139,876

19. BORROWINGS (CONT'D)

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

(i) charge over certain freehold land and building, leasehold land and factory building, plant and machineries of the Group as disclosed in Note 4(a) and 4(c) to the financial statements;
(ii) charge on fixed deposits with licensed banks of the Group as disclosed in Note 14 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	
	2018	**2017**
	%	%
Banker's acceptances	5.10	5.51
Term loans	4.80-5.13	4.75-5.00

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

	Group	
	2018	**2017**
	RM	**RM**
Within one year	765,740	523,336
Later than one year but not later than two years	653,137	376,622
Later than two years but not later than five years	1,689,627	1,214,685
Later than five years	2,467,665	1,025,233
	5,576,169	3,139,876

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20. DEFERRED TAX LIABILITIES

	Group	
	2018 **RM**	**2017** **RM**
At 1 January	4,057,259	2,342,940
Recognised in profit or loss	1,447,063	1,945,407
Under/(over) provision in prior years	976,692	(231,088)
At 31 December	6,481,014	4,057,259

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

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Deferred tax liabilities	11,382,480	8,852,422	76	76
Deferred tax assets	(4,901,466)	(4,795,163)	(76)	(76)
	6,481,014	4,057,259	–	–

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 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
At 1 January 2017	1,132,494	4,154,237	5,286,731
Recognised in profit or loss	687,248	2,923,506	3,610,754
Under/(over) provision in prior years	(45,063)	–	(45,063)
At 31 December 2017	1,774,679	7,077,743	8,852,422

20. 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 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 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)
At 1 January 2017	(614,346)	(906,777)	(1,422,668)	–	(2,943,791)
Recognised in profit or loss	(523,940)	(1,160,576)	–	19,169	(1,665,347)
(Over)/under provision in prior years	(179,736)	63,639	(42,207)	(27,721)	(186,025)
At 31 December 2017	(1,318,022)	(2,003,714)	(1,464,875)	(8,552)	(4,795,163)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM
Company	
At 1 January 2017 and 31 December 2017/1 January 2018 and 31 December 2018	76

Deferred tax assets of the Company:

	Unused tax losses RM	Unutilised capital allowance RM	Total RM
Company			
At 1 January 2017 and 31 December 2017/ 1 January 2018 and 31 December 2018	(51)	(25)	(76)

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20. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Unused tax losses	10,049,269	9,471,756	336,046	–
Unutilised capital allowances	643,842	368,821	290	315
	10,693,111	9,840,577	336,336	315

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.

21. TRADE PAYABLES

The normal trade credit term granted to the Group ranged from 30 to 90 days (2017: 30 to 90 days) depending on the terms of the contracts.

22. OTHER PAYABLES

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Other payables	1,366,442	2,266,065	99,603	69,866
Deposits	77,965	321,513	–	–
Dividend payables	–	809,250	–	809,250
Deferred capital grant	1,575,005	2,309,085	–	–
Accruals	825,469	680,927	149,159	95,932
GST payables	–	71,943	–	–
	3,844,881	6,458,783	248,762	975,048

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.

22. OTHER PAYABLES (CONT'D)

The movement of the deferred capital grant is as follows:

	Group	
	2018	**2017**
	RM	**RM**
At 1 January	2,309,085	2,737,117
Amortised during the financial year	(734,080)	(428,032)
At 31 December	1,575,005	2,309,085

23. REVENUE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Revenue from contract customers:				
Sales of goods	70,090,353	55,917,339	–	–
Management fee	–	–	734,988	634,800
	70,090,353	55,917,339	734,988	634,800
Revenue from other sources:				
Dividend income	–	–	891,000	809,250
	70,090,353	55,917,339	1,625,988	1,444,050

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

24. FINANCE COSTS

	Group	
	2018	**2017**
	RM	**RM**
Interest expenses on:		
- Bank overdraft	28,585	7,141
- Banker's acceptances	1,057	7,289
- Term loans	238,316	61,410
- Finance leases	28,611	112,976
	296,569	188,816

25. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration:				
- current year	162,425	179,278	35,000	45,000
- (under)/over provision in prior years	(5,000)	20,699	(5,000)	5,000
- others	5,000	30,000	–	30,000
Amortisation of development expenditures	3,566,987	2,999,149	–	–
Amortisation of deferred capital grant	(734,080)	(428,032)	–	–
Amortisation of biological assets	106,441	–	–	–
Bad debts written off	–	1,006	–	–
Biological asset written off	204,712	302,283	–	–
Depreciation of property, plant and equipment	5,420,663	4,390,017	605	105
Deposits written off	1,500	299	–	–
Non-executive Directors' remuneration:				
- fee	261,600	307,200	225,600	271,200
- salaries and other emoluments	60,800	40,600	60,800	40,600
- share based payment	–	270,000	–	270,000
Gain on disposal of property, plant and equipment	(22,526)	–	–	–
Loss/(Gain) on foreign exchange:				
- realised	447,729	(171,165)	–	–
- unrealised	398,117	1,363,425	–	–
Grant income	(1,402,547)	(1,165,205)	–	–
Impairment losses on financial instruments:				
- trade receivables	96,133	130,138	–	–
- other receivables	–	775	–	–
Reversal of impairment losses on financial instruments				
- trade receivables	(35,848)	(44,055)	–	–
- other receivables	(5,202)	–	–	–
Net impairment losses on financial instuments	55,083	86,858	–	–
Interest income	(543,781)	(830,074)	(461,185)	(779,379)
Inventories written off	15,455	–	–	–
Property, plant and equipment written off	587,476	41,770	–	–

25. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Management fee	–	20,000	–	–
Rental income	(39,266)	(37,583)	–	–
Rental of equipment	43,240	3,410	–	–
Rental of premises	1,081,596	1,149,105	–	–
Rental of motor vehicle	10,060	2,550	–	–
Waiver of amount due to trade payables	(86,261)	(15,353)	–	–
Waiver of amount due to other payables	(76,168)	–	–	–

26. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax expenses recognised in profit or loss				
Malaysian statutory tax:				
- Current tax provision	429,495	137,270	–	–
- Under provision in prior years	236,606	46,307	224,854	8,563
	666,101	183,577	224,854	8,563
Deferred tax:				
- Origination and reversal of temporary differences	1,447,063	1,945,407	–	–
- Under/(over) provision in prior years	976,692	(231,088)	–	–
	2,423,755	1,714,319	–	–
	3,089,856	1,897,896	224,854	8,563

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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

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26. TAXATION (CONT'D)

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit/(Loss) before taxation	14,692,593	9,374,724	(64,355)	(987,395)
At Malaysian statutory tax rate of 24% (2017: 24%)	3,526,222	2,249,934	(15,445)	(236,975)
Expenses not deductible for tax purposes	1,067,662	1,676,749	148,640	100,622
Income exempted under BioNexus status	(1,463,008)	(1,562,828)	–	–
Income not subject to tax	(478,286)	(666,042)	(213,840)	(194,220)
Deferred tax assets not recognised	204,608	384,864	80,645	330,573
Tax incentives on reinvestment allowances	(980,640)	–	–	–
Under provision of income tax in prior years	236,606	46,307	224,854	8,563
Under/(over) provision of deferred tax in prior years	976,692	(231,088)	–	–
	3,089,856	1,897,896	224,854	8,563

27. 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	
	2018 RM	**2017 RM**
Profit attributable to owners of the parent	11,585,845	7,864,983
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	809,249,132	666,665,655
Effect of ordinary shares issued during the financial year	10,236,309	136,971,079
Weighted average number of ordinary shares at 31 December	819,485,441	803,636,734
Basic earnings per ordinary shares (in sen)	1.41	0.98

27. EARNINGS PER SHARE (CONT'D)

(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	
	2018 **RM**	**2017** **RM**
Profit attributable to owners of the parent	11,585,845	7,864,983
Weighted average number of ordinary shares used in the calculation of basic earnings per share	819,485,441	803,636,734
Adjustment for incremental shares from assumed conversions		
- Share Issuance Scheme options	7,808,191	9,025,597
- Warrants	120,135,025	120,136,025
Weighted average number of ordinary shares at 31 December (diluted)	947,429,657	932,798,356
Diluted earnings per ordinary shares (in sen)	1.22	0.84

28. DIVIDENDS

	Group and Company	
	2018 **RM**	**2017** **RM**
Interim dividends paid in respect of the financial year ended:		
- 31 December 2017 (single-tier dividend of RM0.001 per ordinary share)	–	809,250
- 31 December 2018 (single-tier dividend of RM0.0011 per ordinary share)	891,000	–
	891,000	809,250

The Board of Directors does not recommend any dividend in respect of the current and previous financial years.

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29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1 January RM	Additions RM	New finance lease payable (Note 18) RM	Repayment RM	Dividends declared RM	At 31 December RM
Group						
2018						
Finance lease liabilities (Note 18)	647,361	–	268,900	(342,387)	–	573,874
Term loan (Note 19)	2,942,876	3,000,000	–	(510,707)	–	5,432,169
Bankers' acceptance (Note 19)	197,000	–	–	(53,000)	–	144,000
Dividend payable (Note 22)	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 (Note 22)	809,250	–	–	(1,700,250)	891,000	–
	809,250	–	–	(17,700,250)	891,000	–

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29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

	At 1 January RM	Additions RM	New finance lease payable (Note 18) RM	Repayment RM	Dividends declared RM	At 31 December RM
Group						
2017						
Finance lease liabilities (Note 18)	252,879	–	616,000	(221,518)	–	647,361
Term loan (Note 19)	3,325,576	–	–	(382,700)	–	2,942,876
Bankers' acceptance (Note 19)	200,000	–	–	(3,000)	–	197,000
Dividend payable (Note 22)	–	–	–	–	809,250	809,250
	3,778,455	18,743,162	616,000	(607,218)	809,250	4,596,487
Company						
Dividend payable (Note 22)	–	–	–	–	809,250	809,250
	–	–	–	–	809,250	809,250

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30. STAFF COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and other emoluments	6,208,984	6,707,844	356,036	5,200
Defined contribution plan	693,699	720,328	42,600	–
Share based payment	1,450,000	1,530,000	–	1,530,000
Other benefits	155,367	223,737	–	–
	8,508,050	9,181,909	398,636	1,535,200
Less: Capitalised into:				
- development expenditure (Note 7)	(368,775)	(498,574)	–	–
- biological assets (Note 8)	(336,023)	(106,374)	–	–
	7,803,252	8,576,961	398,636	1,535,200

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors				
Salaries and other emoluments	618,673	552,857	467,081	5,200
Defined contribution plan	56,340	52,560	43,800	–
Share based payment	–	495,000	–	495,000
	675,013	1,100,417	510,881	500,200

31. 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.

31. 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	
	2018	**2017**
	RM	**RM**
Transactions with subsidiary companies		
- Management fee received/receivable	734,988	634,800
- Dividend income	891,000	809,250

(c) Compensation of key management personnel

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fee	261,600	307,200	225,600	271,200
Salaries and other emoluments	1,899,264	1,669,276	933,917	45,800
Defined contribution plan	171,780	178,140	86,400	–
Share based payment	–	1,323,000	–	765,000
	2,332,644	3,477,616	1,245,917	1,082,000

32. 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.

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(continued)

32. SEGMENT INFORMATION (CONT'D)

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.

	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	(499,571)	156,263	-	(343,308)	–	(A)	(343,308)
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

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(continued)

32. SEGMENT INFORMATION (CONT'D)

	Trading and manufacturing RM	Retail Pharmacy RM	Others RM	Total Segments RM	Adjustments and eliminations RM	Note	Consolidated RM
2017							
External customers	36,535,187	19,382,152	–	55,917,339	–		55,917,339
Inter-segment	3,341,736	7,919,701	1,444,050	12,705,487	(12,705,487)		–
Total revenue	39,876,923	27,301,853	1,444,050	68,622,826	(12,705,487)		55,917,339
Results							
Interest income	50,576	119	779,379	830,074	–		830,074
Finance costs	(119,927)	(68,889)	–	(188,816)	–		(188,816)
Depreciation and amortisation	(7,141,087)	(247,974)	(105)	(7,389,166)	–		(7,389,166)
Other non-cash items	(1,365,432)	13,176	(1,800,000)	(3,152,256)	–	(A)	(3,152,256)
Segment profit/(loss)	10,745,456	299,617	(987,395)	10,057,678	(2,580,850)		7,476,828
Segment assets	185,005,350	14,687,040	84,462,965	284,155,355	(130,337,464)		153,817,891
Segment liabilities	109,447,797	11,931,157	1,025,048	122,404,002	(103,218,617)		19,185,385

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31 DECEMBER 2018
(continued)

32. 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	
	2018 RM	**2017 RM**
Other non-cash items:		
Amortisation of deferred capital grant	734,080	428,032
Bad debts written off	–	(1,006)
Biological assets written off	(204,712)	(302,283)
Deposits written off	(1,500)	(299)
Impairment losses on trade receivables	(96,133)	(130,138)
Impairment losses on other receivables	–	(775)
Inventories written off	(15,455)	–
Reversal of impairment losses on trade receivables	35,848	44,055
Reversal of impairment losses on other receivables	5,202	–
Gain on disposal of property, plant and equipment	22,526	–
Property, plant and equipment written off	(587,476)	(41,770)
Unrealised loss on foreign exchange	(398,117)	(1,363,425)
Waiver of amount on trade payables	86,261	15,353
Waiver of amount on other payables	76,168	–
Share based payment	–	(1,800,000)
	(343,308)	(3,152,256)

Geographic information

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

	Group	
	2018 RM	**2017 RM**
Malaysia	44,893,989	29,877,420
Indonesia	11,650,074	13,521,420
China	13,546,290	12,518,499
	70,090,353	55,917,339

33. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The table below provides an analysis of financial instruments of the Group and of the the Company as at 31 December 2018 categorised as follows:

	At AC RM	At FVTPL RM	Total RM
Group			
2018			
Financial Assets			
Trade receivables	39,531,732	–	39,531,732
Other receivables	12,903,465	–	12,903,465
Other investments	–	11,001	11,001
Fixed deposits with licensed banks	18,590,714	–	18,590,714
Cash and bank balances	4,525,994	–	4,525,994
	75,551,905	11,001	75,562,906
Financial Liabilities			
Trade payables	5,031,071	–	5,031,071
Other payables	2,269,876	–	2,269,876
Finance lease liabilities	573,874	–	573,874
Borrowings	5,576,169	–	5,576,169
	13,450,990	–	13,450,990
Company			
2018			
Financial Assets			
Other receivables	105,991	–	105,991
Amount due from subsidiary companies	72,520,699	–	72,520,699
Fixed deposits with licensed banks	8,200,000	–	8,200,000
Cash and bank balances	21,385	–	21,385
	80,848,075	–	80,848,075
Financial Liabilities			
Other payables	248,762	–	248,762
Amount due to a subsidiary company	4,800	–	4,800
	253,562	–	253,562

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

The table below provides an analysis of financial instruments of the Group and of the Company as at 31 December 2017 categorised as follows:

	Loans and receivables RM	At AC RM	At FVTPL RM	Total RM
Group				
2017				
Financial Assets				
Trade receivables	31,725,639	–	–	31,725,639
Other receivables	10,060,275	–	–	10,060,275
Other investments	–	–	10,600	10,600
Fixed deposits with licensed banks	18,743,162	–	–	18,743,162
Cash and bank balances	6,971,555	–	–	6,971,555
	67,500,631	–	10,600	67,511,231
Financial Liabilities				
Trade payables	–	4,879,106	–	4,879,106
Other payables	–	4,077,755	–	4,077,755
Finance lease liabilities	–	647,361	–	647,361
Borrowings	–	3,139,876	–	3,139,876
	–	12,744,098	–	12,744,098
Company				
2017				
Financial assets				
Other receivables	866,599	–	–	866,599
Amount due from subsidiary companies	53,746,760	–	–	53,746,760
Fixed deposits with licensed banks	16,000,000	–	–	16,000,000
Cash and bank balances	980,352	–	–	980,352
	71,593,711	–	–	71,593,711
Financial liabilities				
Other payables	–	975,048	–	975,048
Amount due to a subsidiary company	–	997,206	–	997,206
	–	1,972,254	–	1,972,254

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

- Credit risk
- Liquidity risk
- Market risks

(i) Credit risk

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

Concentration of credit risk

As at the end of the financial year, the Company has 2 (2017: 8) major customers and accounted for approximately 28% (2017: 53%) of the trade receivables outstanding.

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. 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 past due 90 days 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 of the Group as at 31 December 2018.

	Gross trade receivables RM	Allowance for impairment RM	Net balance RM
Group			
2018			
Current	17,331,085	(7,228)	17,323,857
Past due not impaired:			
Less than 30 days	6,205,262	(8,119)	6,197,143
31 to 60 days	435,129	(244)	434,885
61 to 90 days	1,516,009	(914)	1,515,095
More than 90 days	14,119,093	(58,341)	14,060,752
	39,606,578	(74,846)	39,531,732
Credit impaired:			
More than 90 days			
- Individual impaired	549,613	(549,613)	–
	40,156,191	(624,459)	39,531,732

33. 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:

	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
At 1 January 2018, as previously stated	–	494,528	494,528
Opening balance adjustments from adoption of MFRS 9	69,646	–	69,646
At 1 January 2018, as restated	69,646	494,528	564,174
Impairment loss recognised	5,200	90,933	96,133
Impairment loss reversed	–	(35,848)	(35,848)
At 31 December 2018	74,846	549,613	624,459

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables of the Group as at 31 December 2017 was as follows:

	Gross trade receivables RM	Allowance for impairment RM	Net balance RM
Group			
2017			
Current	15,068,542	–	15,068,542
Past due not impaired:			
Less than 30 days	1,614,138	–	1,614,138
31 to 60 days	857,485	–	857,485
61 to 90 days	6,249,839	–	6,249,839
More than 90 days	7,935,635	–	7,935,635
	31,725,639	–	31,725,639
Credit impaired:			
More than 90 days			
- Individual impaired	494,528	(494,528)	–
	32,220,167	(494,528)	31,725,639

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Trade receivables (Cont'd)

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

	Group RM
At 1 January 2017	408,445
Impairment loss recognised	130,138
Impairment loss reversed	(44,055)
At 31 December 2017	494,528

Cash and cash equivalent

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 statement 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. The Group and the Company manage the credit risk on an ongoing basis via the Group and the Company's management reporting procedures and action will be taken for long outstanding debts.

Exposure to credit risk, credit quality and collateral

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

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(i) Credit risk (Cont'd)

Other receivables (Cont'd)

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 RM
At 1 January 2018	5,477
Impairment loss reversed	(5,202)
At 31 December 2018	275

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

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

	Group RM
At 1 January 2017	4,702
Impairment loss recognised	775
At 31 December 2017	5,477

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to licenced financial institutions and non-financial institution in respect of banking facilities and supply of goods and services granted to certain subsidiary companies. The Group and the Company monitor the ability of the subsidiary companies to service its loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM4,184,973 (2017: RM1,648,313) representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiary companies' secured loans.

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Credit risk (Cont'd)

Financial guarantees (Cont'd)

Recognition and measurement of impairment loss

There is no history of default from subsidiary companies, and there are no indicates that any going concern from these subsidiary companies. The Group and the Company are of the view that loss allowance is not material and hence, it is not provided for.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to a 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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
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
2017						
Non-derivative financial liabilities						
Trade payables	4,879,106	–	–	–	4,879,106	4,879,106
Other payables	4,077,755	–	–	–	4,077,755	4,077,755
Finance lease liabilities	198,049	167,473	343,340	–	708,862	647,361
Bank borrowings	463,628	495,838	1,455,305	1,909,237	4,324,008	3,139,876
Financial guarantee	402,000	–	–	–	402,000	402,000
	10,020,538	663,311	1,798,645	1,909,237	14,391,731	13,146,098

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. 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			
2018			
Non-derivative financial liabilities			
Other payables	248,762	248,762	248,762
Amount due to a subsidiary company	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
2017			
Non-derivative financial liabilities			
Other payables	975,048	975,048	975,048
Amount due to a subsidiary company	997,206	997,206	– 997,206
Financial guarantee	1,648,313	1,648,313	1,648,313
	3,620,567	3,620,567	3,620,567

(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") and Singapore Dollar ("SGD").

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.

33. 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 RM	**SGD RM**
Group		
2018		
Trade receivables	30,922,602	–
Cash and bank balances	2,348,321	30,983
	33,270,923	30,983
2017		
Trade receivables	27,533,779	–
Cash and bank balances	1,948,094	30,590
	29,481,873	30,590

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	**2018 RM**	**2017 RM**
USD	Strengthend 10%	3,327,092	2,948,187
	Weakend 10%	(3,327,092)	(2,948,187)
SGD	Strengthend 10%	3,098	3,059
	Weakend 10%	(3,098)	(3,059)

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

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

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

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed rate instruments				
Financial asset:				
Fixed deposits with licensed banks	18,590,714	18,743,162	8,200,000	16,000,000
Financial liabilities:				
Banker's acceptance	144,000	197,000	–	–
Finance lease liabilities	573,874	647,361	–	–
Term loan	1,337,143	1,648,313	–	–
	2,055,017	2,492,674	–	–

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Floating rate instruments				
Financial liabilities:				
Term loans	4,095,026	1,294,563	–	–

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 RM40,950 (2017: RM12,946) 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.

NOTES TO THE **FINANCIAL STATEMENTS**
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(continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

	Fair value of financial instruments not carried at fair value			Carrying
	Level 1	Level 2	Level 3	amount
	RM	RM	RM	RM
Group				
2018				
Financial liabilities				
Finance lease liabilities	–	371,039	–	415,906
Term loans	–	975,963	–	1,010,054
	–	1,347,002	–	1,425,960
2017				
Financial liabilities				
Finance lease liabilities	–	595,820	–	474,878
Term loans	–	1,280,072	–	1,648,313
	–	1,875,892	–	2,123,191

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

(iii) Level 2 fair value

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

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.

34. CAPITAL COMMITMENT

	Group	
	2018 RM	**2017 RM**
Authorised and contracted for		
Purchase of property, plant and equipment	4,500,000	4,500,000

35. FINANCIAL GUARANTEES

	Group	
	2018 RM	**2017 RM**
Unsecured		
Performance bonds in relation to the management of the Herbal Integrated Cluster Development	200,000	402,000

	Company	
	2018 RM	**2017 RM**
Unsecured		
Corporate guarantees given to the licensed financial institution for credit facility granted to a subsidiary company	4,184,973	1,648,313

36. 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:

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2018
(continued)

36. CAPITAL MANAGEMENT (CONT'D)

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Total loans and borrowings	6,150,043	3,787,237	–	–
Less: Deposit, bank and cash balances	(23,116,708)	(25,714,717)	(8,221,385)	(16,980,352)
Net debt	(16,966,665)	(21,927,480)	(8,221,385)	(16,980,352)
Total equity	157,620,582	135,435,664	94,437,335	83,437,918
Gearing ratio (%)	*	*	*	*

* Gearing ratio not applicable for financial years ended 31 December 2018 and 31 December 2017 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

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

37. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2019.

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 2018 RM'000	Date of last revaluation	Age
BISB	No. 10, Jalan P/9A, Section 13, 43650 Bandar Baru Bangi, Selangor.	Industrial land with the following buildings erected thereon: • a semi-detached two (2)-storey building annexed with an open shed for our manufacturing facility; • two (2) utility cabins* for our restroom and surau; and • a guardhouse.	April 30, 2012	8,137 / 11,000	99 years expiring on 20.08.2105	3,671	March 10, 2013	87 years
Mediconstant Pharmacy Sdn Bhd	No. 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	freehold	1,569	Sept 27, 2016	33 years
BISB	No. 1, Jalan Perindustrian Suntrack, Hub Perindustrian Suntrack, Off Jalan P1A, Seksyen 13, Bandar Baru Bangi, 43000 Kajang, Selangor.	Semi-detached Factory with Office	July 07, 2014	10,606	99 years expiring on 20.08.2113	5,729	March 09, 2018	95 years

PROPERTIES (continued)

LEASED

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BHB, BISB and BECA	ECERDC	Lot PT 1748 H. S. (D) 1966, Mukim Pasir Raja, Daerah Dungun, Terengganu.	Agricultural land for the cultivation and farming of herbal plants with the following infrastructure erected thereon: • an administration and management building; • a fertilizer storage facility; • an equipment store cum repair and maintenance workshop; • residential buildings as follows: (i) one (1) unit of bungalow; (ii) twelve (12) units of office terrace; (iii) nine (9) units of family terrace; (iv) two (2) blocks of hostel; (v) surau; (vi) convenience store; • common facilities as follows: (i) skid tank; (ii) guardhouse; and (iii) water storage tank.	[2] / 123.5 to 1,003 acres	152,527.50 per annum [4]	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	No. 93 & 93-01, Jalan Kempas 1, Taman Desaru Utama, 81930 Bandar Penawar, Johor.	Two (2) storey shoplot for centre of collection, packaging, and processing and also office meeting.	1,540 sq. ft. / [1]	4,000 per month	01.05.2018 to 30.04.2020
BDSB	Dewina LSG Sdn Bhd	No. 12, Jalan P/9A, Section 13, 43650 Bandar Baru Bangi, Selangor.	Industrial land with a semi-detached one (1) ½-storey building for our manufacturing facility	5,600 sq. ft. / 11,000 sq. ft.	8,800 per month	01.02.2019 to 31.01.2021
BISB	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.	Two (2) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / [1]	1,500 per month	01.01.2019 to 31.12.2019

PROPERTIES (continued)

LEASED (CONT'D)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BISB	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.	Two (2) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / [(1)]	1,500 per month	01.01.2019 to 31.12.2019
BISB	Tee Wat Chow	No.8, Jalan SC 5/B, Pusat Perindustrian Sungai Chua, 43000 Kajang, Selangor.	One (1) unit of 1 ½-storey terrace factory for our manufacturing facility	2,000 sq.ft /[(1)]	2,300 per month	01.06.2018 to 31.05.2019
BISB	Wee Tee Hong & Wee Choon Chong	No.68, Jalan SC 2, Pusat Perindustrian Sungai Chua, 43000 Kajang, Selangor.	One (1) unit of 1 ½-storey terrace factory for our manufacturing facility	3,000 sq. ft. / [(1)]	3,400 per month	01.09.2018 to 31.08.2019
Mediconstant Pharmacy Sdn Bhd	Jaringan Satria Sdn Bhd	No. 80-81, Blok I, Jalan Teknologi 3/9, Bestari D'Kota, Kota Damansara, 47810 Petaling Jaya, Selangor.	Two (2) units of adjoining double storey shop lots for pharmacy management office	6,026 sq. ft.	12,000 per month	01.06.2018 to 31.05.2020
Mediconstant Pharmacy Sdn Bhd	Ng Peng Cheng	B-1-15, Jalan Teknologi 3/9, Bestari D'Kota, Kota Damansara, 47810 Petaling Jaya, Selangor.	One (1) unit of shop lot for retail pharmacy	1,400 sq. ft.	1,300 per month	15.08.2018 to 14.08.2019
Mediconstant Pharmacy 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.	4,200 per month	01.04.2019 to 31.05.2021
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	Nazri Bin Yusuff	2794-4&5, Batu 5 1/4, Jalan Gombak, 53000 Kuala Lumpur.	Two (2) units of shop lot for retail pharmacy	3,300 sq. ft.	7,000 per month	01.10.2018 to 30.09.2019
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.	3,300 per month	01.06.2016 to 31.05.2019

PROPERTIES
(continued)

LEASED (CONT'D)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
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	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
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 (Desa Tasik) Sdn Bhd	Amp Development Sdn Bhd	Desa Tasik 24, Jalan Tasik Selatan 20C/146, Taman Desa Tasik, Sungai Besi, 57000 Wilayah Persekutuan.	One (1) unit of shop lot for retail pharmacy	6,100 sq ft	7,000 per month	01.01.2019 to 31.12.2021
Mediconstant Pharmacy (Puchong) Sdn Bhd	Ong Choy Sia Ong Choy Nee Ong Choi Len	Pusat Perdagangan Puchong Prima, F-01-04, Blok F, Jalan prima 5/3, Taman Puchong Prima, 47100 Selangor.	Two (2) unit of shop lot for retail pharmacy	1,519 sq ft	5,900 per month	01.06.2016 to 31.05.2020
Mediconstant Pharmacy (TTDI) Sdn Bhd	Cahaya Serijaya Sdn Bhd	Lot G-45, Jalan Warisan Sentral 3, Kip Sentral, Kota Warisan, 43900 Sepang, Selangor.	One (1) unit of shop lot for retail pharmacy	1,403 sq ft	7,015 per month	23.11.2017 to 22.11.2019
Mediconstant Pharmacy (TTDI) Sdn Bhd	General Rewards Sdn Bhd	No.22G, Jalan Mohd Fuad 2, Taman Tun Dr Ismail, 60000 Kuala Lumpur.	One (1) unit of shop lot for retail pharmacy	1,500 sq ft	8,500 per month	01.01.2018 to 31.12.2019

(1) Not available as the leased property is a shop lot as a unit within a building.
(2) Not available as the leased buildings and infrastructures are of different types and sizes.
(3) We have yet to enter into a lease agreement with the registered owner of Kota Tinggi Land and register the same under Section 221(1) of the NLC.
(4) Pursuant to the ECERDC Agreement, we have entered into a sub-lease agreement with ECERDC for the lease of 123.5 acres of pasir Raja Land under phase 1 and 879.7 acres under phase 2.

ANALYSIS OF **SHAREHOLDINGS**
AS AT 29 MARCH 2019

SHARE CAPITAL

Total Number of Issued Shares	:	860,209,032
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2019

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of Issued Share Capital
Less than 100	451	7.80	22,221	0.00
100 - 1,000	286	4.95	139,940	0.02
1,001 - 10,000	1,427	24.69	9,470,480	1.10
10,001 - 100,000	2,915	50.44	114,155,472	13.27
100,001 - 43,010,450*	996	12.09	508,361,923	59.10
43,010,450 AND ABOVE **	2	0.03	228,058,996	26.51
Total	**5,780**	**100.00**	**860,209,032**	**100.00**

Remark :

* *Less than 5% of issued holdings*

** *5% and above of issued holdings*

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	Hon Tian Kok @ William	122,580,000	14.25	26,300,000*	1.90*
2	Perbadanan Nasional Berhad	121,055,104	14.07	–	–
3	Malaysian Technology Development Corporation Sdn Bhd	107,203,892	12.46	–	–

* *Deemed interest through WH Capital Sdn. Bhd. by virtue of Section 8 of the Act.*

DIRECTORS' INTERESTS IN SHARES

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company are as follows:-

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Tan Sri Abd Rahman Bin Mamat	500,000	0.06	–	–
2	Hon Tian Kok @ William	122,580,000	14.25	26,300,000*	1.90*
3	Ho Tze Hiung	–	–	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Dato' Rosely Bin Samsuri	507,999	0.06	–	–
6	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	300,000	0.03	–	–
7	Mohd Nasir Bin Abdullah	–	–	–	–
8	Dr. Nik Ismail Bin Nik Daud	500,000	0.06	–	–

* *Deemed interest through WH Capital Sdn. Bhd. by virtue of Section 8 of the Act.*

ANALYSIS OF **SHAREHOLDINGS** AS AT 29 MARCH 2019 (continued)

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 MARCH 2019)

No.	Name of Shareholders	No. of Shares	%
1	PERBADANAN NASIONAL BERHAD	120,855,104	14.05
2	MALAYSIA TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD	107,203,892	12.46
3	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	36,679,859	4.61
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	29,900,141	3.48
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM (7001081)	28,000,000	3.26
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WH CAPITAL SDN BHD	16,050,000	1.87
7	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	15,000,000	1.74
8	CHIA TEE PENG	11,100,000	1.29
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CIMB ISLAMIC SMALL CAP FUND	10,796,000	1.26
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	10,000,000	1.16
11	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MARY TAN @ TAN HUI NGOH (STF)	8,348,000	0.97
12	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AUN HOOI	7,387,500	0.86
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189)	7,059,999	0.82
14	GOH CHUN HAU	7,010,000	0.81
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	6,989,300	0.81
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEO POH BOON (PBCL-0G0269)	6,000,000	0.70
17	ON THIAM CHAI	5,000,000	0.65
18	TAN HAN CHONG	5,500,000	0.64
19	CHIN SIEW LING	5,420,000	0.63
20	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR UNITED ASEAN DISCOVERYFUND	5,000,000	0.58
21	ONG KENG SENG	4,988,100	0.58
22	UOBM NOMINEES (TEMPATAN) SDN BHD UOB ASSET MANAGEMENT (MALAYSIA) BERHAD FOR GIBRALTAR BSN AGGRESSIVE FUND	4,470,000	0.52
23	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA ISLAMIC FUND	3,700,000	0.43
24	CHONG KOK FAI	3,648,800	0.42
25	HSBC NOMINEES (ASING) SDN BHD HSBC-FS I FOR JPMORGAN MALAYSIA FUND	3,544,299	0.41
26	MALAYSIA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN MAY LEE	3,378,100	0.39
27	MALAYSIA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AUN HOOI	3,374,600	0.39
28	NORUDIN BIN ABD.MAJID	3,000,000	0.35
29	SEAH TIN KIM	2,925,100	0.34
30	MALAYSIA NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR ARECA EQUITYTRUST FUND (211882)	2,900,000	0.34

ANALYSIS OF **WARRANTS HOLDINGS**
AS AT 29 MARCH 2019

No. of Warrants Issued	:	133,332,785
No. of Warrants Holders	:	1,384
Expiry date of the Warrants	:	5 January 2022

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 29 MARCH 2019

Size of Holding	No. of Warrants Holders	% of Warrants Holders	No. of Warrants	% of Warrants
Less than 100	146	10.55	6,561	0.00
100 - 1,000	64	4.62	33,910	0.03
1,001 - 10,000	346	25.00	1,946,925	1.46
10,001 - 100,000	604	43.65	25,170,066	18.88
100,001 - 6,666,638*	222	16.04	88,942,135	66.70
6,666,639 AND ABOVE **	2	0.14	17,233,188	12.93
Total	1,384	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	7,241,988	5.43	–	–
3	Ho Tze Hiung	–	–	–	–
4	Dato' Norhalim Bin Yunus	–	–	–	–
5	Dato' Rosely Bin Samsuri	1,333	0.00	–	–
6	Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	–	–	–	–
7	Mohd Nasir Bin Abdullah	–	–	–	–
8	Dr. Nik Ismail Bin Nik Daud	–	–	–	–

SUBSTANTIAL WARRANTS HOLDINGS

No.	Name of Substantial Shareholder	No. of Warrants held Direct	%	No. of Warrants held Indirect	%
1	Chew Ah Chay	9,991,200	7.49	–	–
2	Hon Tian Kok @ William	7,241,988	5.43	–	–

ANALYSIS OF **WARRANTS HOLDINGS** AS AT 29 MARCH 2019 (continued)

LIST OF TOP 30 LARGEST WARRANTS HOLDERS
(ACCORDING TO THE RECORD OF DEPOSITORS AS AT 29 MARCH 2019)

No.	Name of Warrants Holders	No. of Warrants Held	% of Warrants Held
1	CHEW AH CHAY	9,991,200	7.49
2	KENAGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	7,241,988	5.43
3	PERBADANAN NASIONAL BERHAD	6,250,501	4.69
4	GOH CHUN HAU	3,631,000	2.72
5	KU LIAN SIN	3,598,301	2.70
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHRISTINA LOH YOKE LIN (8111756)	2,900,000	2.18
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CH'NG CHOOI HOU (E-BMM)	2,724,800	2.04
8	LOO KIM @ LOH KIM LENG	2,300,000	1.73
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH CHOO WEI (E-KUG)	2,240,000	1.68
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEO POH BOON (PBCL-0G0269)	2,000,000	1.50
11	GOH CHENG FOONG	1,666,500	1.25
12	TAN HAN CHONG	1,000,000	0.75
13	KUOK MIN GIAT	915,000	0.69
14	NG SENG NAM	900,000	0.68
15	LEE HIEW CHET	880,000	0.66
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW (E-KLG/BTG)	862,600	0.65
17	KOH CHENG GIOK	855,000	0.64
18	LIEW LEE YING	810,000	0.61
19	CHOO KIM HIN	809,934	0.61
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE CHENG TIONG (E-BPT)	800,000	0.60
21	TAN KHEAK GEAI	800,000	0.60
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHENG FOONG	750,000	0.56
23	ADRIAN GOH SIM HAN	738,000	0.55
24	FOO SIANG MOND	705,000	0.53
25	LEE BOON KIAT	702,000	0.53
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHIN CHUN (J DEDAP-CL)	664,600	0.50
27	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR HENG AI LI	622,500	0.47
28	CHEW KIAU SIN	600,000	0.45
29	CHONG YEH MEI	600,000	0.45
30	TEY YOK JAN @ TEY YOK LIAN	600,000	0.45

NOTICE OF THE EIGHTH (8TH) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth (8th) Annual General Meeting of Bioalpha Holdings Berhad ("Bioalpha" or "the Company") will be held at Cempaka Room, Bangi Resort Hotel, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Tuesday, 11 June 2019 at 9:30 a.m. or at 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 2018 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees and other benefits payable up to RM410,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from 11 June 2019 up to the conclusion of the next AGM of the Company. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire by rotation in accordance with Clause 105(1) of the Company's Constitution and being eligible, offer themselves, for re-election:

   i. Tan Sri Abdul Rahman Bin Mamat (Ordinary Resolution 2)
   ii. Dato' Norhalim Bin Yunus (Ordinary Resolution 3)
   iii. Ho Tze Hiung (Ordinary Resolution 4)

4. 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 5)

AS SPECIAL BUSINESS:

To consider and if thought fit, with or without any modifications, to pass the following as resolution:

5. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** (Ordinary Resolution 6)

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

6. To transact any other business of which due notices shall have been given in accordance with the Companies Act, 2016.

NOTICE OF THE **EIGHTH (8TH) ANNUAL GENERAL MEETING** (continued)

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)
THIEN LEE MEE (LS0009760)
Company Secretaries

Kuala Lumpur
Date: 30 April 2019

Notes:-

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

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

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

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

5. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn Bhd) of Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

6. Only the members whose names appear on the Record of Depositors as at 4 June 2019 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 of 8th AGM will be put to vote by way of poll.

NOTICE OF THE **EIGHTH (8TH) ANNUAL GENERAL MEETING**
(continued)

Explanatory Notes to Ordinary and Special Business:-

1. **Item 1 of the Agenda**

   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. **Special Business - Ordinary Resolution 7**
   Authority to Allot Shares Pursuant to Sections 75 And 76 of The Companies Act, 2016

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

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

   As at the date of this Notice, the Company issued 49,509,900 new ordinary shares at issue price of RM0.24 per share by way of private placement pursuant to the General Mandate granted to the Directors at the 7th Annual General Meeting ("AGM") held on 5 June 2018 and which will lapse at the conclusion of the 8th AGM.

   (Please refer to page 73 of the Annual Report 2018 – Additional Compliance Information in respect of the total proceeds raised from the private placement and status of the utilization of proceeds as at 31 December 2018)

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(pursuant to Rule 8.29 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profiles of the Directors who are standing for re-election and re-appointment at the 8th AGM are set out in the Directors' Profile on pages 11 to 19 of the Annual Report 2018.

No individual seeking for election as a Director other than the Directors are seeking for re-election and retention as a Director at the 8th AGM.

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BIOALPHA HOLDINGS BERHAD
(Company No. 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** (Company No. 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 8th Annual General Meeting of the Company to be held at Cempaka Room, Bangi Resort Hotel, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor on Tuesday, 11 June 2019 at 9:30 a.m or at any adjournment thereof and to vote as indicated below:

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 RM410,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from 11 June 2019 up to the conclusion of the next AGM of the Company.	Ordinary Resolution 1		
2.	Re-election of Tan Sri Abdul Rahman Bin Mamat as Director	Ordinary Resolution 2		
3.	Re-election of Dato' Norhalim Bin Yunus as Director	Ordinary Resolution 3		
4.	Re-election of Ho Tze Hiung as Director	Ordinary Resolution 4		
5.	Re-appointment of Auditors	Ordinary Resolution 5		
6.	Authority To Allot Shares Pursuant To Sections 75 And 76 Of The Companies Act, 2016	Ordinary Resolution 6		

Signed on this _________________ day of ____________ 2019.

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

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 : ....%

____
Signature of Shareholder or Common Seal

** Strike out whichever is not desired.*

Notes:-

1. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
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5. *The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) of Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.*
6. *Only the members whose names appear on the Record of Depositors as at 4 June 2019 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 of 8th AGM will be put to vote by way of poll.*

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AFFIX
STAMP

The Share Registrar:

BIOALPHA HOLDINGS BERHAD (Company No.949536-X)
c/o BOARDROOM SHARE REGISTRARS SDN BHD
(formerly known as SYMPHONY SHARE REGISTRARS SDN BHD) *(Company No. 378993-D)*
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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Exclusive For Shareholders

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BiO alpha
Health Through Biotech

BIOALPHA HOLDINGS BERHAD
(949536-X)

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

CONSTANT Lifestyle and Wellness Pharmacy

apotec

nushine