

THIS PROSPECTUS IS DATED 26 MARCH 2015



BIOALPHA HOLDINGS BERHAD

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

PUBLIC ISSUE OF 100,000,000 NEW ORDINARY SHARES OF RM0.05 EACH IN OUR COMPANY ("SHARES") AT AN ISSUE PRICE OF RM0.20 PER SHARE PAYABLE IN FULL UPON APPLICATION IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- 20,000,000 SHARES AVAILABLE FOR APPLICATION BY THE PUBLIC ; AND
- 80,000,000 SHARES BY WAY OF PLACEMENT TO SELECTED INVESTORS.

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT

Kenanga

Kenanga Investment Bank Berhad
Company No. 15678-H

(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. PLEASE REFER TO SECTION 4 HEREIN FOR "RISK FACTORS".

YOU ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD MAY BE OF HIGH INVESTMENT RISK.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE OF MALAYSIA.

BIOALPHA HOLDINGS BERHAD

PROSPECTUS



BIOALPHA HOLDINGS BERHAD (949536-X)

HEAD OFFICE :

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43650 BANDAR BARU BANGI,
SELANGOR, MALAYSIA.

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RESPONSIBILITY STATEMENTS

Our Board and Promoters (as defined herein) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

Kenanga Investment Bank Berhad (“**Kenanga IB**”), being our Adviser, Sponsor, Underwriter and Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO (as defined herein).

STATEMENTS OF DISCLAIMER

A copy of this Prospectus has been registered with the Securities Commission Malaysia (“**SC**”). The registration of this Prospectus should not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being issued/offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for our Shares (as defined herein). Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application form, has also been lodged with the Registrar of Companies of Malaysia who takes no responsibility for its contents.

OTHER STATEMENTS

Companies listed on the ACE Market of Bursa Securities may have a limited operating history or may not have any profit track record prior to listing. Such companies may be of high investment risk. As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, among others, this Prospectus, our latest financial statements and corporate announcements. You are strongly recommended to seek advice from a securities professional or adviser.

Our IPO is an exempt transaction under Section 212(8) of the Capital Markets and Services Act 2007 (“**CMSA**”) and is therefore not subject to the approval of the SC.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. Directors and Advisers, are responsible.

This Prospectus is prepared and published solely under the laws of Malaysia. Our Shares are offered in Malaysia solely based on the contents of this Prospectus. Our Board, Promoters, Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

The distribution of this Prospectus is subject to Malaysian laws. Our Board, Promoters, Adviser, Sponsor, Underwriter and Placement Agent have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia. No action has been taken to permit an IPO of our Shares in any jurisdiction other than Malaysia.

This Prospectus may not be used for an offer to sell or an invitation to buy our Shares in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to do so. Our Board, Promoters, Adviser, Sponsor, Underwriter and Placement Agent require you to inform yourself and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any law of such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

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ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of Affin Bank Berhad at www.affinOnline.com, Affin Hwang Investment Bank Berhad at trade.affinhwang.com, CIMB Bank Berhad at www.cimbclicks.com.my, CIMB Investment Bank Berhad at www.eipocimb.com, Malayan Banking Berhad at www.maybank2u.com.my, Public Bank Berhad at www.pbebank.com and RHB Bank Berhad at www.rhb.com.my.

The Internet is not a fully secured medium. Internet applications may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, files or other material provided on the Third Party Internet Sites. You bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, files or other material provided by such parties; and
- (iii) any data, files or other materials downloaded from the Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files or other materials.

Where an Electronic Prospectus is hosted on the website of an Internet Participating Financial Institution, you are advised that:

- (i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, i.e. to the extent that the content of the Electronic Prospectus on the web server of the Internet Participating Financial Institution may be viewed via web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

The Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

EVENT	TENTATIVE DATE / TIME
Opening of application for our IPO	10.00 a.m., 26 March 2015
Closing of application for our IPO	5.00 p.m., 2 April 2015
Balloting of applications	6 April 2015
Allotment of Shares to successful applicants	13 April 2015
Listing on the ACE Market	14 April 2015

Our Board and Promoters, together with Kenanga IB, may mutually decide at their absolute discretion to extend the date of closing of application to a later date or dates. If the date of closing of application is extended, the dates of balloting, allotment and Listing would be extended accordingly. We will publish any extension of the date of closing of application in a widely circulated English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of application. **Late applications will not be accepted.**

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” in this Prospectus are to Bioalpha Holdings Berhad, while references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our key management personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” section of this Prospectus. Words denoting the singular shall, where applicable include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies and corporations.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is acknowledged in this Prospectus; provided that where no source is acknowledged, it can be assumed that the information originated from us.

In particular, certain information in this Prospectus is extracted or derived from the report prepared by Smith Zander International Sdn Bhd, an independent business and market research consulting firm. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, which include all statements other than those of historical facts including, among others, those regarding our financial position, business strategies, prospects, plans and objectives of our Management for future operations. Some of these statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Prospectus will be realised.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 - Risk Factors and Section 12 - Management Discussion and Analysis of Financial Condition and Results of Operations of this Prospectus.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward looking statements that are contained herein.

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DEFINITIONS

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

ACE Market	:	ACE Market of Bursa Securities
Act	:	Companies Act, 1965 or, as amended from time to time any statutory modifications, amendments or re-enactment thereof for the time being in force
ADA	:	Authorised Depository Agents
Alphacare	:	Alphacare Sdn Bhd (Company No. 962831-A)
Application	:	Application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
Application Form	:	The printed application form for the application of our IPO Shares accompanying this Prospectus
ATM	:	Automated Teller Machine
BASB	:	Bioalpha Agro Sdn Bhd (Company No. 905540-W)
BCF	:	Biotechnology Commercialisation Fund
BDSB	:	Botanical Distribution Sdn Bhd (Company No. 825720-T)
BECA	:	Bioalpha East Coast Agro Sdn Bhd (1078381-D)
BHB or Company	:	Bioalpha Holdings Berhad (Company No. 949536-X)
BHB Group or Group	:	BHB and its subsidiaries, collectively
BHB Shares or Shares	:	Ordinary shares of RM0.05 each in BHB
BISB	:	Bioalpha International Sdn Bhd (Company No. 715156-K)
BJHSB	:	Bioalpha (Johor Herbal) Sdn Bhd (Company No. 920069-K)
Board	:	Board of Directors of BHB
BPFK	:	Biro Pengawasan Farmaseutikal Kebangsaan
BRSB	:	Bioalpha R&D Sdn Bhd (Company No. 817850-K)
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CAGR	:	Compound annual growth rate
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
Closing Date	:	The date adopted in this Prospectus as the last date for receipt of application for the subscription to our IPO Shares or such other later date or dates as our Board and Kenanga IB may agree upon
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof

DEFINITIONS (Cont'd)

COA	:	Certificate of Analysis
CRDF	:	Commercialisation of Research and Development Fund
DCA	:	Drug Control Authority
Dato' Sri Syed Zainal	:	Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir
Desaru Land	:	Two (2) parcels of agricultural land totalling approximately 294.9 acres at Mukim of Sedil Kecil and Mukim of Pantai Timur District of Kota Tinggi Johor
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
ECERDC	:	East Coast Economic Region Development Council
ECERDC Agreement	:	Letter of appointment and a commercial agreement both dated 7 April 2014 between BHB, BISB and BECA (collectively the "Anchor Company") and ECERDC
Electronic Participating Financial Institutions	:	Participating financial institutions for Electronic Share Application and Internet Share Application, as listed in Section 16.4.2 of this Prospectus
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs
EPP	:	Entry point projects are high impact projects, matched with specific ideas and actions, to spur the growth of the NKEAs
EPS	:	Earnings per share
ESA or Electronic Share Application	:	Application for our IPO Shares through a Participating Financial Institution's ATM
ETP	:	Economic Transformation Programme
FYE	:	Financial year ended/ending
FPE	:	Financial period ended
Government	:	Government of Malaysia
GP	:	Gross profit
HACCP	:	Hazard analysis and critical control points
HDC	:	Halal Industry Development Corporation
IMR	:	Institute of Medical Research
IMR Report	:	Independent Market Research Report titled "Independent Market Research – Health Supplement Market, Health Supplement Manufacturing Industry and Retail Market"
Internet Participating Financial Institutions	:	Participating financial institutions for Internet Share Applications, as listed in Section 16.4.5 of this Prospectus
IPO	:	Initial public offering of our IPO Shares

DEFINITIONS (Cont'd)

IPO Price	:	RM0.20 per IPO Share
IPO Shares	:	100,000,000 new BHB Shares, to be issued pursuant to our IPO
ISA or Internet Share Application	:	Application for our IPO Shares through an Internet Participating Financial Institution
Issuing House	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
JAKIM	:	Jabatan Kemajuan Islam Malaysia
J-Biotech Herbal	:	J-Biotech Herbal Sdn Bhd (Company No. 795637-W)
Joint Venture Agreement	:	Joint venture agreement dated 6 July 2010 as supplemented by a supplemental agreement dated 9 June 2014 entered into between J-Biotech Herbal and BASB
Kenanga IB or Adviser or Sponsor or Underwriter or Placement Agent	:	Kenanga Investment Bank Berhad (Company No. 15678-H)
Khazanah	:	Khazanah Nasional Berhad (Company No. 275505-K)
kg	:	kilogram
ml	:	millilitre
Listing	:	Admission to the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital comprising 463,413,114 Shares on the ACE Market of Bursa Securities
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	23 February 2015, being the latest practical date prior to the issuance of this Prospectus
Market Day	:	A day which Bursa Securities is open for trading of securities
MATRADE	:	Malaysia External Trade Development Corporation
MBC	:	Malaysian Biotechnology Corporation Sdn Bhd
MITI	:	Ministry of International Trade and Industry
MOA	:	Ministry of Agriculture and Agro-Based Industry
MOF	:	Ministry of Finance
MOF (Inc)	:	Minister of Finance (Incorporated)
MOH	:	Ministry of Health
MSDS	:	Material Safety Data Sheet
MTDC	:	Malaysian Technology Development Corporation Sdn Bhd (Company No. 235796-U)
MyAngkasa	:	MyAngkasa Holdings Sdn Bhd (Company No. 1029674-X)
MyIPO	:	Intellectual Property Corporation of Malaysia

DEFINITIONS (Cont'd)

NA	:	Net assets
NKEA	:	National Key Economic Area
NLC	:	National Land Code 1965
Pasir Raja Land	:	1,003.2 acres of integrated herbal cluster agricultural land located at Mukim Pasir Raja, Terengganu
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
PEMANDU	:	Performance Management Delivery Unit
PNS	:	Perbadanan Nasional Berhad (Company No. 9157-K)
Promoters	:	MTDC, PNS, William Hon and Dato' Sri Syed Zainal, collectively
Prospectus	:	This prospectus dated 26 March 2015 in relation to our IPO
Public	:	All persons or members of the public but excluding our directors and substantial shareholders and persons connected or associated with them (as defined in the Listing Requirements)
QC	:	Quality control
R&D	:	Research and development
RM and sen	:	Ringgit Malaysia and sen, respectively
SAB	:	Scientific Advisory Board
SAMM	:	Skim Akreditasi Makmal Malaysia
SC	:	Securities Commission Malaysia
SZ or Independent Market Researcher	:	Smith Zander International Sdn Bhd (Company No. 1058128-V)
Tan Sri Dr Syed Jalaludin	:	Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim
UAE	:	United Arab Emirates
UHY or Reporting Accountants	:	UHY (AF1411)
UiTM	:	Universiti Teknologi MARA
UKM	:	Universiti Kebangsaan Malaysia
Underwriting Agreement	:	Underwriting agreement dated 3 March 2015 between our Company and the Underwriter for the underwriting of 20,000,000 IPO Shares
UPM	:	Universiti Putra Malaysia
US	:	United States of America

DEFINITIONS (Cont'd)

UTM : Universiti Teknologi Malaysia

William Hon : Hon Tian Kok @ William

Technical References

Active compound : Active compound refers to biological components within active ingredients which may have certain therapeutic properties

Active ingredient : Active ingredient refers to the substance produced from the extraction process of herbs (such as medicinal mushrooms, kacic fatimah and tongkat ali) or non-herbal materials (such as fishes and pearls)

Aerobic fermentation : Fermentation process occurring in the presence of oxygen

Association of Analytical Communities or AOAC method : AOAC method refers to a globally recognised standard of laboratory testing. Among other tests, an AOAC method is also used to determine if the sample contains heavy metals

Apple stem cells : Apple stem cells refers to a form of active ingredient utilised in the manufacturing of health supplement products derived from apples.

Biomass : Biomass is a biological material from living organisms including herbal plants such as medicinal mushrooms

Bioreactor : Bioreactor is an apparatus which carries out a biochemical process involving micro-organisms. Amongst other uses, this apparatus is utilised to carry out the fermentation of medicinal mushrooms

Cell bank : Cell bank is a storage facility where strains are stored under controlled conditions and accessed periodically to undergo the liquid fermentation process

Clinical Research Organisation or CRO : A CRO provides clinical trial testing and other research support services for the pharmaceutical, biotechnology and medical device industries

C. sinensis : Cordyceps sinensis is a type of medicinal mushroom mainly found in the Himalayan plateau, particularly in the Tibetan region

Cordyceps militaris : Cordyceps militaris is a type of medicinal mushroom in the family Clavicipitaceae

Fish collagen : Fish collagen is a protein extracted from fish that is mostly used in cosmetics

Formulated ingredient : Formulated ingredient refers to semi-finished products which we produce using one (1) or more active ingredients

Freeze drying : Freeze drying is a dehydration process which rapidly freezes particles

Functional food : Functional food is food with potentially positive effect on health beyond basic nutrition

Ganoderma lucidum : Ganoderma lucidum or Lingzhi Mushroom is a type of medicinal mushroom which can be found mainly in East Asia and northern Eastern Hemlock forests

DEFINITIONS (Cont'd)

GMP	:	Good Manufacturing Practice, an internationally recognised standard of manufacturing that is applied for manufacturing of food and food-related products, traditional medicine and pharmaceutical products
<i>Grifola frondosa</i>	:	<i>Grifola frondosa</i> or Maitake Mushroom is a type of medicinal mushroom which can be found in north-eastern part of Japan and North America
Herbal supplement	:	Herbal supplement refers to dietary and nutritional supplement which is manufactured from herbal active ingredients such as tongkat ali and medicinal mushrooms, and is used to boost an individual's nutritional intake and/or which offer the potential of improved health. It is typically found in a tablet and capsule forms
High-value herbal products	:	Defined by the ETP as herbal products targeted for R&D with the intention of commercialisation into botanical drugs with scientifically-backed claims. The R&D activities are in the areas of discovery, crop production and agronomy; standardisation and product development; toxicology/pre-clinical and clinical studies; and processing technology. The initial phase is focused on five (5) main herbs, namely tongkat ali, misai kucing, hempedu bumi, dukung anak and kacip fatimah
Hyaluronic acid	:	Hyaluronic acid is utilised in the manufacturing of health supplement products. It is a carbohydrate fluid substance with important lubricating properties particularly in the joints and eyeballs
Inoculum	:	Inoculum refers to a small amount of substance containing bacteria from a pure culture which is used to start a new culture
Isomalto-oligosaccharide	:	Isomalto-oligosaccharide is a low calorie sweetener used in the manufacturing of health supplement products
L-gluthathione	:	L-gluthathione is an amino acid with powerful antioxidant properties that squelches free radicals, as well as assists in the liver detox process
<i>L. rhinocerus</i>	:	<i>L. rhinocerus</i> or Tiger Milk Mushroom is a type of medicinal mushroom which can be found locally as well as other countries in Southeast Asia and China
Liquid fermentation facility	:	Liquid fermentation facility refers to the facility where the liquid fermentation process is carried out
Liquid fermentation process	:	Liquid fermentation is a process which consists of growing cells in a liquid medium. This process is utilised to grow medicinal mushroom cells
Liquid-solid separation	:	Liquid-solid separation is the separation of solid material or yield from its liquid medium or environment
<i>Lentinula edodes</i>	:	<i>Lentinula edodes</i> or Shitake Mushroom is a type of medicinal mushroom native to East Asia, which is cultivated and consumed in many Asian countries
MAL	:	MAL is registration number for products which have been approved by the DCA for sale or use in Malaysia, based on safety evaluation tests
Maltodextrin	:	Maltodextrin is an organic substance which is derived from partial hydrolysis of starch, and used in the manufacturing of health supplement products as fillers
Medicinal mushroom	:	Medicinal mushroom are mushrooms with therapeutic properties or health benefits

DEFINITIONS (Cont'd)

Medium	:	A medium is used to accelerate growth of cells and typically comprises essential nutrients for growth. Examples of medium, include water, potassium and glucose
Medium or Functional-claim	:	Medium or functional-claim is a type of health supplement claim, which refers to a particular health supplement product's ability to maintain and enhance the structure or function of the human body, and excludes claims related to diseases
Mycelium	:	Mycelium is the end product of the fermentation of medicinal mushrooms, and used as an active ingredient in the manufacturing of <i>C. sinensis</i> -based health supplements
Natto kinase	:	Natto kinase is an enzyme extracted and purified from fermented soybeans, and is known for its benefits of promoting blood circulation and blood pressure regulation. Natto kinase is used as an active ingredient in the manufacturing of health supplement products
Non-herbal supplement	:	Non-herbal supplement refers to dietary and nutritional supplement which is manufactured from non-herbal active ingredients such as fish collagen, fish oil and silk peptide, and is used to boost an individual's nutritional intake and/or which offer the potential of improved health. It is typically found in tablet and capsule forms
ODM	:	Original design manufacturer involves undertaking the entire product development process, from product formulation and sourcing of active ingredients, supplies and consumables, to manufacturing and/or product packing
OEM	:	Original equipment manufacturer involves undertaking the manufacturing and/or product packing activities. Product formulations are developed by the customer, and customers may provide the active ingredients, supplies and consumables used in the manufacturing process
Silk peptide	:	Silk peptide is an active ingredient utilised in the manufacturing of health supplement products. It is essentially a mixture of protein with tissue regeneration properties and is thus known to enhance skin health
Spray drying	:	Spray drying is a dehydration process in a hot temperature environment
Stevia	:	Stevia is used in the manufacturing of health supplement products as an organic calorie-free sugar substitute
Strain	:	Strain is an <i>in vitro</i> culture initiated by asexual reproduction from a single cell. A strain is a population of genetically homogenous cells
Strain propagation	:	Strain propagation is the breeding of strains from the parent strain, which results in the multiplication of the parent strain
Solid state fermentation method	:	Solid state fermentation method is a biomolecule manufacturing process which are mostly metabolites generated by microorganisms grown on a solid support selected for this purpose. This technology for the culture of microorganisms is an alternative to liquid or submerged fermentation, used predominantly for industrial purposes

DEFINITIONS (Cont'd)

- Traditional herbal medicine : Traditional herbal medicine refers to the use of herbal supplements based on theories, beliefs, and experiences indigenous to different cultures, whether explicable or not, for the maintenance of health as well as in the prevention, diagnosis, improvement or treatment of physical and mental illness
- Traditional herbs : Traditional herbs refer to herbal plants which are believed or traditionally used by different cultures in the maintenance of health as well as in the prevention, diagnosis, improvement or treatment of physical and mental illness
- Polyethylene Terephthalate : PET is a thermoplastic polymer resin used as a material in the packing of health
or PET supplement products
- Psyllium husk : Psyllium husk is a concentrated source of dietary fibre which acts as a natural laxative and vital for good bowel health, as well as used in treatment of chronic constipation
- Yield : Yield refers to mycelium in its solid form

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/designation	Address	Occupation	Nationality
Tan Sri Abdul Rahman Bin Mamat <i>Independent Non-Executive Chairman</i>	3-11-1, The Residence Jalan Wan Kadir 5 Taman Tun Dr. Ismail 60000 Kuala Lumpur Malaysia	Director	Malaysian
Hon Tian Kok @ William <i>Managing Director/Chief Executive Officer</i>	No. 9, Jalan Sri Sg Long 3 Taman Sri Sg Long 43200 Cheras Selangor Malaysia	Director	Malaysian
Dato' Sri Hj. Syed Zainal Abidin Bin Syed Mohamed Tahir <i>Executive Director</i>	63, USJ 9/5G 47620 Subang Jaya Selangor Malaysia	Director	Malaysian
Ho Tze Hiung <i>Executive Director</i>	42, Jalan BU 3/2 Bandar Utama 47800 Petaling Jaya Selangor Malaysia	Director	Malaysian
Dato' Norhalim Bin Yunus <i>Non-Independent Non-Executive Director</i>	19, Jalan Mulia 1/5 Taman Bukit Antarabangsa 68000 Ampang Selangor Malaysia	Chief Executive Officer	Malaysian
Dato' Rosely Bin Samsuri <i>Non-Independent Non-Executive Director</i>	No. 119, Jalan C1 Taman Melawati 53100 Kuala Lumpur Malaysia	Director	Malaysian
Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim <i>Independent Non-Executive Director</i>	No. 48, Jalan Chanderai Bukit Pantai 59100 Kuala Lumpur Malaysia	Director	Malaysian
Dr Nik Ismail Bin Nik Daud <i>Independent Non-Executive Director</i>	26, Jalan SS 19/3A 47500 Subang Jaya Selangor Malaysia	Director	Malaysian
Mohd Nasir Bin Abdullah <i>Independent Non-Executive Director</i>	Lot 12A, Batu 5 3/4 Jalan Gombak Gombak Setia 53100 Kuala Lumpur Malaysia	Secretary	Malaysian

1. CORPORATE DIRECTORY (Cont'd)**AUDIT COMMITTEE**

Name	Designation	Directorship
Dr Nik Ismail Bin Nik Daud	Chairman	Independent Non-Executive Director
Dato' Rosely Bin Samsuri	Member	Non-Independent Non-Executive Director
Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim	Member	Independent Non-Executive Director
Mohd Nasir Bin Abdullah	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim	Chairman	Independent Non-Executive Director
Dr Nik Ismail Bin Nik Daud	Member	Independent Non-Executive Director
Dato' Norhalim Bin Yunus	Member	Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Dato' Rosely Bin Samsuri	Chairman	Non-Independent Non-Executive Director
Tan Sri Dato' Dr Syed Jalaludin Bin Syed Salim	Member	Independent Non-Executive Director
Dr Nik Ismail Bin Nik Daud	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (Cont'd)

- REGISTERED OFFICE** : Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: (603) 2279 3080
Fax. No.: (603) 2279 3090
- HEAD OFFICE** : No. 10, Jalan P/9A
Seksyen 13
43650 Bandar Baru Bangi
Selangor
Malaysia
Tel. No.: (603) 8925 1222
Fax. No.: (603) 8922 2522
Email: info@bioa.net
Website: www.bioa.net
- COMPANY SECRETARIES** : Tan Tong Lang (MAICSA: 7045482)
Chong Voon Wah (MAICSA: 7055003)
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: (603) 2279 3080
Fax. No.: (603) 2279 8090
- AUDITORS AND REPORTING ACCOUNTANTS** : UHY (AF1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: (603) 2279 3088
Fax. No.: (603) 2279 3099
- LEGAL ADVISER** : Cheang & Ariff
39, Court @ Loke Mansion
273A Jalan Medan Tuanku
50300 Kuala Lumpur
Malaysia
Tel. No.: (603) 2691 0803
Fax. No.: (603) 2693 4475
- INDEPENDENT MARKET RESEARCHER** : Smith Zander International Sdn Bhd
Level 23, Premier Suite, One Mont' Kiara
1 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Malaysia
Tel. No.: (603) 2785 6822
Fax. No.: (603) 2785 6922

1. CORPORATE DIRECTORY (Cont'd)

- 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
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia
Tel. No.: (603) 7841 8000
Fax. No.: (603) 7841 8150
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia
Tel. No.: (603) 7841 8000
Fax. No.: (603) 7841 8151 / 8152
- ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT** : Kenanga Investment Bank Berhad
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel. No.: (603) 2027 5555
Fax. No.: (603) 2164 6690
- LISTING SOUGHT** : ACE Market of Bursa Securities

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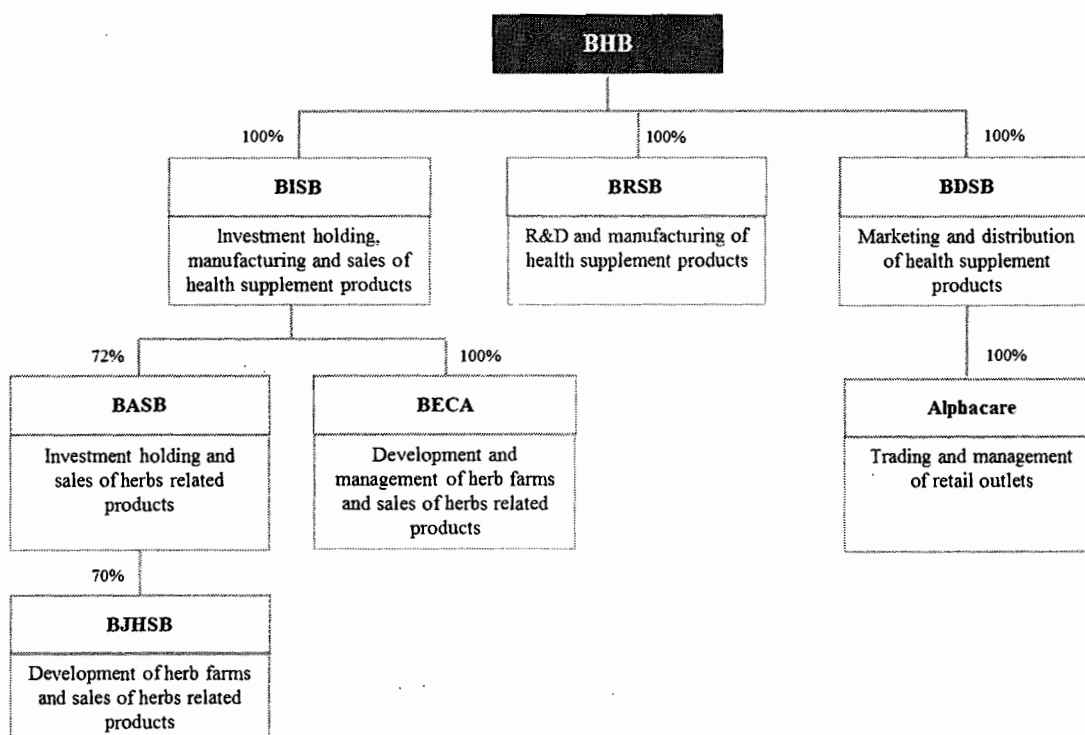
2. INFORMATION SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information about us and our IPO which may be important to you. You should read and understand this section together with the entire Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 4 of this Prospectus for an understanding of the risks associated with an investment in our Company.

2.1 HISTORY AND BUSINESS

We were incorporated in Malaysia under the Act on 21 June 2011 as a public limited company under the name of BHB to facilitate our listing on the ACE Market of Bursa Securities. Our principal activity is investment holding whilst our subsidiaries are principally involved in the manufacturing and sales of semi-finished and finished health supplement products as an ODM as well as under our house brands. Our health supplement products comprise processed herbs, formulated ingredients, functional foods as well as herbal and non-herbal supplements which offer a variety of health benefits, including general health maintenance, improving blood circulation, enhancing vitality, relief of cough and sore throat, and general well-being for women.

Our group structure as at the LPD is as follows:



Our key achievements/milestones/awards since our inception are as follows:

Year	Key Milestones/Achievements
2005	<ul style="list-style-type: none"> Commenced business via BISB in the sales of health supplement products under our house brand "Bexlim[®]"
2007	<ul style="list-style-type: none"> Set up manufacturing facility in Semenyih, Selangor Penetrated into the Indonesian market

2. INFORMATION SUMMARY (Cont'd)

Year	Key Milestones/Achievements
2008	<ul style="list-style-type: none"> Secured first ODM and OEM customers MTDC became our substantial shareholder Expanded Semenyih facility from production lines for two (2) packaging forms (i.e. sachet and teabag) to five (5) packaging forms (i.e. sachet, teabag encapsulation, liquid bottling and tableting) Semenyih plant certified as GMP compliant by MOH Incorporated BRSB to focus on R&D activities Commenced R&D of medicinal mushroom, particularly <i>C. sinensis</i> BRSB awarded with BioNexus status by MBC
2009	<ul style="list-style-type: none"> Awarded grant from MBC to set up and commercialise liquid fermentation facility Awarded "Enterprise 50 Award Programme" which is jointly organised by Deloitte Malaysia and SME Corporation Malaysia
2010	<ul style="list-style-type: none"> Entered into joint-venture agreement with J-Biotech Herbal Sdn Bhd for the cultivation and farming of herbal plants on Desaru Land via BJHSB Awarded "Recognition Award for Innovative Venture Capital Backed Companies" by Malaysian Venture Capital and Private Equity Association Accredited with "AA rating" under the "Innovation Certification for Enterprise Rating and Transformation" by SME Corporation Malaysia
2011	<ul style="list-style-type: none"> Established SAB Entered into the NKEA Agreement with the Government whereby we were appointed as an Anchor Company to undertake pre-clinical and clinical research studies on "High-value herbal products" via BECA Continued R&D on other medicinal mushrooms namely <i>L. rhinocerus</i>, <i>Grifola frondosa</i>, <i>Lentinula edodes</i>, <i>Cordyceps militaris</i> and <i>Ganoderma lucidum</i> Awarded "Industry Merit Award 2011 (Biotechnology)" by Kuala Lumpur Malay Chamber of Commerce Commenced operations of liquid fermentation facility
2012	<ul style="list-style-type: none"> Penetrated into the Australian market Trademarked house brand, "Bioapotec[®]" Awarded "Recognition Award for Outstanding Investee Company" by Malaysian Venture Capital and Private Equity Association
2013	<ul style="list-style-type: none"> Expanded our production capacity with the completion of our Bangi plant with a built-up area of 8,137 sq. ft. and two (2) additional production lines for sachet and teabag packaging forms, which increased the production capacity for these two (2) packaging forms by 100% Awarded CRDF from MTDC to fund R&D on the extraction of polysaccharide carbohydrate from <i>L. rhinocerus</i> PNS became our substantial shareholder Our founder and Managing Director/Chief Executive Officer, William Hon, was awarded the "MBA Industry Excellence Award (Biotech)" by ASEAN Business Advisory Council Malaysia Awarded BCF from MBC to enable commercialisation of thirteen (13) new <i>C. sinensis</i> based product formulations

2. INFORMATION SUMMARY (Cont'd)

Year	Key Milestones/Achievements
2014	<ul style="list-style-type: none"> • Bangi plant certified as GMP compliant by MOH • Appointed as Anchor Company by ECERDC to invest, develop and manage Pasir Raja Land • Launched our first retail outlet, “LifeSprings” in Solaris Mont’ Kiara, Kuala Lumpur • Awarded “Golden Eagle Award” by Nanyang Siang Pau

Our track record built throughout the years was facilitated by among others our competitive strengths as follows:

- (i) Our manufacturing facilities are GMP compliant and we are able to produce Halal certified products;
- (ii) Wide range of products across the supply chain;
- (iii) Cost competitiveness and consistency of supply of raw materials through our proprietary liquid fermentation facility and herb farms;
- (iv) Experienced management team;
- (v) We have a diversified customer base and a multi-channel distribution platform; and
- (vi) We have experience and technical know-how in the health supplement industry to develop product formulations to suit market needs and to enhance our manufacturing processes.

Going forward, we intend to further expand our business through the following plans and strategies:

- (i) Development of new health supplement product formulations;
- (ii) Commercialisation of High-value herbal products;
- (iii) Expansion into new markets;
- (iv) Increase our retail market presence;
- (v) Development of agricultural land;
- (vi) Attainment of SAMM accreditation for our laboratory facility; and
- (vii) Expansion of our production lines to include a fully-automated liquid bottling line.

Please refer to Sections 5 and 6 of this Prospectus for further information on our history, business, competitive strengths and future plans.

2. INFORMATION SUMMARY (Cont'd)**2.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**

Our Promoters, substantial shareholders, Directors and key management are as follows:

Name	Designation
Promoter and/or substantial shareholder	
William Hon	Promoter and Substantial Shareholder
PNS	Promoter and Substantial Shareholder
MTDC	Promoter and Substantial Shareholder
Khazanah	Promoter and Substantial Shareholder
MOF(Inc)	Promoter and Substantial Shareholder
MOF	Promoter and Substantial Shareholder
Dato' Sri Syed Zainal	Promoter
Director	
Tan Sri Abdul Rahman Bin Mamat	Independent Non-Executive Chairman
William Hon	Managing Director/Chief Executive Officer
Dato' Sri Syed Zainal	Executive Director
Ho Tze Hiung	Executive Director
Dato' Norhalim Bin Yunus	Non-Independent Non-Executive Director
Dato' Rosely Bin Samsuri	Non-Independent Non-Executive Director
Tan Sri Dr Syed Jalaludin	Independent Non-Executive Director
Dr Nik Ismail Bin Nik Daud	Independent Non-Executive Director
Mohd Nasir Bin Abdullah	Independent Non-Executive Director
Key Management	
William Hon	Chief Executive Officer
Ho Tze Hiung	Operations Director
Goh Siow Cheng	Financial Controller
Teh Chap Seng	Head of Marketing
Shahrizal Bin Sharuddin	Co-Head of R&D
Low Wee Come	Co-Head of R&D
Faizuddin Bin Serimasran	Business Development Manager (Agricultural)
Abdul Halim Bin Mohd Tahir	General Manager (Pharmacy)

Details of our Promoters, substantial shareholders, Directors and key management are set out in Section 8 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.3 FINANCIAL HIGHLIGHTS

2.3.1 Audited Consolidated Statements of Comprehensive Income

Our pro forma consolidated statements of comprehensive income for the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2013 and 2014 are set out below:

	<----- FYE 31 December ----->			<-----FPE 30 September----->	
	<----- Audited ----->			Unaudited	Audited
	2011	2012	2013	2013	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,549	19,116	24,570	11,788	18,765
Cost of sales	*(7,194)	*(7,942)	(11,842)	(5,192)	(9,642)
GP	7,355	11,174	12,728	6,596	9,123
Other income	35	1,594	1,306	100	4,302
Administration expenses	*(1,681)	*(5,007)	(6,144)	(3,643)	(9,184)
Finance costs	(31)	(200)	(350)	(195)	(153)
PBT	5,678	7,561	7,540	2,857	4,088
Taxation	(247)	(409)	(1,201)	(82)	(354)
Net profit for the financial year, representing total comprehensive income for the financial year	5,431	7,152	6,339	2,776	3,734
Net profit for the financial year attributable to:					
Owners of the parent	5,435	7,194	6,295	2,697	3,831
Non-controlling interests	(4)	(42)	44	79	(97)
	5,431	7,152	6,339	2,776	3,734
EBITDA	6,501	9,342	10,361	4,837	6,552
GP margin (%) ⁽¹⁾	50.55	58.45	51.80	55.95	48.62
PBT margin (%) ⁽²⁾	39.03	39.55	30.69	24.24	21.78
Net profit margin (%) ⁽³⁾	37.33	37.41	25.80	23.55	19.90
Effective tax rate (%)	4.35	5.40	15.93	2.85	8.65
Gross EPS (sen) ⁽⁴⁾	2.89	4.39	3.50	1.81	2.51
Net EPS (sen) ⁽⁵⁾	2.14	2.83	1.73	0.74	1.05
Diluted net EPS (sen) ⁽⁶⁾	1.17	1.55	1.36	0.58	0.83
Number of Shares in issue ('000)	254,383	254,383	363,413	363,413	363,413

Notes:

* Certain comparative figures have been reclassified where necessary to conform with the presentation for FYE 31 December 2013.

(1) Calculated based on GP divided by revenue.

(2) Calculated based on PBT divided by revenue.

(3) Calculated based on net profit divided by revenue.

(4) Calculated based on GP divided by the number of Shares in issue.

(5) Calculated based on net profit attributable to owners of the parent divided by the number of Shares in issue.

(6) Calculated based on net profit attributable to owners of the parent divided by our enlarged issued and paid-up share capital after our IPO of 463,413,114 Shares.

2. INFORMATION SUMMARY (Cont'd)

2.3.2 Pro Forma Consolidated Statement of Financial Position

Our pro forma consolidated statement of financial position as at 30 September 2014 as set out below has been prepared for illustrative purposes only on the assumption that our IPO and utilisation of proceeds were completed on that date. You should read this pro forma consolidated statement of financial position in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus.

	As at 30 September 2014 RM'000	Pro Forma	
		I After IPO RM'000	II After Pro Forma I and Utilisation of Proceeds RM'000
Non-Current Assets			
Property, plant and equipment	18,523	18,523	21,523
Development expenditures	7,540	7,540	10,540
	<u>26,063</u>	<u>26,063</u>	<u>32,063</u>
Current Assets			
Inventories	3,495	3,495	3,495
Trade and other receivables	24,899	24,899	24,899
Tax recoverable	39	39	39
Fixed deposits with licensed banks	2,409	2,409	2,409
Cash and bank balances	6,052	26,052	15,132
	<u>36,894</u>	<u>56,894</u>	<u>45,974</u>
Total Assets	<u>62,957</u>	<u>82,957</u>	<u>78,037</u>
Equity			
Share capital	18,171	23,171	23,171
Share premium	11,557	26,557	25,919
Merger deficits	(4,969)	(4,969)	(4,969)
Retained profits	27,523	27,523	25,861
Equity attributable to owners of the parent	52,282	72,282	69,982
Non-controlling interests	(90)	(90)	(90)
Total Equity	<u>52,192</u>	<u>72,192</u>	<u>69,892</u>
Non-Current Liabilities			
Finance lease payables	364	364	51
Bank borrowings	2,306	2,306	-
Deferred tax liabilities	1,807	1,807	1,807
	<u>4,477</u>	<u>4,477</u>	<u>1,858</u>
Current Liabilities			
Trade and other payables	5,245	5,245	5,245
Amount owing to a Director	40	40	40
Finance lease payables	262	262	262
Bank borrowings	708	708	707
Tax payable	33	33	33
	<u>6,288</u>	<u>6,288</u>	<u>6,287</u>
Total Liabilities	<u>10,765</u>	<u>10,765</u>	<u>8,145</u>
Total Equity and Liabilities	<u>62,957</u>	<u>82,957</u>	<u>78,037</u>
NA	52,282	72,282	69,982
Number of Shares in issue ('000)	363,413	463,413	463,413
NA attributable to equity holders per Share (sen)	14.39	15.60	15.10

2. INFORMATION SUMMARY (Cont'd)**2.3.3 Pro Forma Consolidated Cash Flows**

Our pro forma consolidated statement of cash flows for FPE 30 September 2014 as set out below has been prepared for illustrative purposes only on the assumption that our IPO and utilisation of proceeds has been completed on that date. You should read this pro forma consolidated statement of cash flows in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus.

	RM'000
Cash Flows From Operating Activities	
Cash receipts from customers	16,471
Cash paid to suppliers and employees	(15,054)
Cash generated from operations	1,417
Interest paid	(153)
Interest received	218
Tax paid	(153)
	(88)
Net cash from operating activities	1,329
Cash Flows From Investing Activities	
Additional development expenditure	(5,730)
Purchase of property, plant and equipment	(5,965)
Deposits paid for purchase of property, plant and equipment	(2,125)
Net cash used in investing activities	(13,820)
Cash Flows From Financing Activities	
Proceeds from IPO	20,000
Payment for listing expenses	(2,300)
Grant received	4,518
Net changes in bankers' acceptances	(394)
Increase in fixed deposits pledged	460
Repayment of finance leases payables	(511)
Repayment of term loans	(2,494)
Net cash from financing activities	19,279
Net increase in cash and cash equivalents	6,788
Effect of exchange rate changes	23
Cash and cash equivalents at beginning of the financial period	10,192
Cash and cash equivalents at end of the financial period	17,003
Cash and cash equivalents at end of the financial period comprises:	
Bank overdraft	(291)
Cash and bank balances	15,132
Fixed deposits with licensed banks	2,408
	17,249
Less: Fixed deposits pledged with licensed banks	(246)
	17,003

2. INFORMATION SUMMARY (Cont'd)

2.4 DIVIDEND POLICY

Our Company presently has a dividend policy, whereby our Company has adopted a dividend payout ratio of approximately 30% of our future net profits to our shareholders in each financial year.

Upon Listing, our Board intends to maintain this dividend policy to allow our shareholders to participate in the profits of our Group.

You should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion. The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Please refer to Section 12.6 of this Prospectus for factors which may affect or restrict our ability to pay dividends.

2.5 PRINCIPAL DETAILS OF OUR IPO AND LISTING

Size of our IPO : 100,000,000 new BHB Shares, representing approximately 21.58% of our enlarged issued and paid-up share capital upon Listing

IPO Price : RM0.20 per IPO Share

Utilisation of proceeds from our IPO : The gross proceeds from our IPO amounting to RM20.00 million is intended to be utilised in the following manner:

Purpose	RM'000	%	Estimated Time Frame for Utilisation
Capital expenditure	3,000	15.00	Within 24 months
R&D expenditure	3,000	15.00	Within 24 months
Repayment of bank borrowings	2,620	13.10	Within 12 months
Working capital	9,080	45.40	Within 24 months
Estimated listing expenses	2,300	11.50	Within 1 month
Total	20,000	100.00	

Total enlarged issued and paid-up share capital after Listing : RM23,170,655.70 comprising 463,413,114 Shares

Market capitalisation upon Listing : RM92,682,623

Please refer to Sections 3 of this Prospectus for further details of our IPO.

2. INFORMATION SUMMARY (Cont'd)

2.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations as summarised below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

2.6.1 Risks relating to our business and the industry in which we operate

- (i) Our business may be adversely affected by product defects, product liability claims, product recalls, adverse publicity or negative public perception regarding our products or our industry in general;
- (ii) We may be subject to infringement of our intellectual property and/or proprietary liquid fermentation technology by other players in the market;
- (iii) Our R&D activities may not lead to successful technologies or products;
- (iv) Interruptions in utility supply and/or increase in the cost of these utilities could disrupt and/or affect our business;
- (v) Inherent risks in herb farming may cause disruption of supply of herbs for our manufacturing process;
- (vi) Our herb farms' leases are not registered under NLC;
- (vii) We are susceptible to regulatory, political, economic and social conditions relating to the health supplement industry in Malaysia as well as other international markets in which we operate; and
- (viii) Our success depends on our key personnel and our ability to attract and retain skilled personnel.

2.6.2 Risks relating to an investment in our Shares

- (i) There has been no prior market for our Shares;
- (ii) Control by our Promoters may limit your ability to influence the outcome of decisions requiring shareholders' approval;
- (iii) There may be a delay in or cancellation of our Listing; and
- (iv) Forward looking statements in this Prospectus may not be accurate.

Please refer to Section 4 of this Prospectus for further details of the risk factors.

3. DETAILS OF OUR IPO

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

3.1 OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus, and upon acceptance, an aggregate of 100,000,000 new BHB Shares representing approximately 21.58% of our enlarged issued and paid-up share capital upon Listing will be allocated in the manner as set below:

(i) Public (“Public Tranche”)

20,000,000 IPO Shares representing 4.32% of our enlarged issued and paid-up share capital will be made available for application by the Public, of which at least 50% shall be set aside for Bumiputera investors, including individuals, companies, societies, co-operatives and institutions.

Any IPO Shares reserved under the Public Tranche which are not fully subscribed for by the Public will be made available for subscription by our selected investors under the Placement Tranche as described in Section 3.1(ii) below and if undersubscribed, such IPO Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

(ii) Selected investors via placement (“Placement Tranche”)

80,000,000 IPO Shares representing approximately 17.26% of our enlarged issued and paid-up share capital have been reserved for placement to selected investors.

The IPO Shares reserved under the Placement Tranche are not underwritten as written irrevocable undertakings to subscribe for these IPO Shares have been procured from the respective selected investors.

The basis of allocation for our IPO Shares shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our shareholders base to meet the public spread requirements as per the Listing Requirements and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Board.

There is no over-allotment or ‘greenshoe’ option that will result in an increase in the amount of our IPO Shares.

3.1.1 Listing on Bursa Securities

Bursa Securities had on 21 January 2015 approved-in-principle the admission of our Company to its Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM23,170,655.70 comprising 463,413,114 Shares on the ACE Market of Bursa Securities. The listing of and quotation for our Shares will commence two (2) Market Days after Bursa Securities receives the necessary documents specified in their approval-in-principle letter.

3.1.2 Minimum Subscription

Notwithstanding that there is no minimum subscription level of our IPO, in order to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of IPO Shares to be subscribed will be the number of Shares required to be held by public shareholders of our Company to comply with the public shareholding spread requirement as per the Listing Requirements or as approved by Bursa Securities.

3. DETAILS OF OUR IPO (Cont'd)

In the event that the public shareholding spread requirement is not met pursuant to our IPO and/or if we decide in our absolute discretion not to proceed with our Listing, monies paid in respect of any application for our IPO Shares will be returned in full without interest and if such monies are not returned in full within 14 days after our Company becomes liable to do so, then our Company and the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made in accordance with Section 243(2) of the CMSA.

3.2 SHARE CAPITAL

	No. of Shares	Share Capital RM
Authorised share capital	500,000,000	25,000,000.00
Issued and paid-up share capital as at the date of this Prospectus	363,413,114	18,170,655.70
To be issued and credited as fully paid-up pursuant to our IPO	100,000,000	5,000,000.00
Enlarged issued and paid-up share capital upon Listing	463,413,114	23,170,655.70
IPO Price		RM0.20
Market capitalisation upon Listing		RM92,682,623

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.05 each. Our IPO Shares will upon allotment rank *pari-passu* in all respects with one another and all other existing issued and paid-up share capital in our Company, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our IPO shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the capital paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder shall be entitled to vote at our general meetings in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or authorised representatives or proxy or attorney of a shareholder shall have one (1) vote, and in the case of a poll, every shareholder present in person or by proxy or by attorney or other authorised representative shall have one (1) vote for each Share held. There shall be no restriction as to the qualification of the proxy and Section 149(1)(b) and (c) of the Act shall not apply to our Company. A proxy or attorney shall be entitled to vote both on a show of hands and on a poll. On a show of hands, any member who is a proxy for another member and any person who is a proxy for more than one (1) member shall have only one (1) vote.

3. DETAILS OF OUR IPO (*Cont'd*)

3.3 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) to enable us to access the capital market for fund raising and to provide us the financial flexibility to pursue growth opportunities;
- (ii) to enhance our Group's profile as well as increase market awareness of our brands and products so as to assist us in expanding our business;
- (iii) to establish liquidity for our Shares;
- (iv) to provide an opportunity for the general public and investing community to become our shareholders and participate in the continuing growth of our Group; and
- (v) to raise funds for the purposes as set out in Section 3.5 of this Prospectus.

3.4 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and Kenanga IB after taking into consideration the following factors:

- (i) A PE Multiple of 11.56 times based on our net EPS of 1.73 sen, computed based on our audited consolidated net profit attributable to owners of our Company of RM6.29 million for the FYE 31 December 2013 and our issued and paid-up share capital before our IPO of 363,413,114 Shares;
- (ii) Our consolidated NA per Share of 14.39 sen, computed based on our audited consolidated NA of RM52.28 million as at 30 September 2014 and our issued and paid-up share capital before our IPO of 363,413,114 Shares;
- (iii) Our competitive strengths in terms of:
 - (a) our manufacturing facilities are GMP compliant and are able to produce Halal certified products;
 - (b) wide range of products across the supply chain;
 - (c) cost competitive and consistency of supply of raw materials through our proprietary liquid fermentation facility and herb farms;
 - (d) experienced management team;
 - (e) we have a diversified customer base and a multi-channel distribution platform; and
 - (f) we have experience and technical know-how in the health supplement industry to develop product formulations to suit market needs and to enhance our manufacturing processes.

Further details of our competitive strengths are described in Section 6.12 of this Prospectus; and

- (iv) Our prospects as detailed in Section 6.17 of this Prospectus.

3. DETAILS OF OUR IPO (Cont'd)

However, you should note that the market price of our Shares upon and subsequent Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own views on the valuation of our Shares before deciding to invest in our Shares.

3.5 UTILISATION OF PROCEEDS

Based on our IPO price, gross proceeds of RM20.00 million will be raised from our IPO. The proceeds shall accrue entirely to our Company who will bear all expenses relating to our Listing and are intended to be utilised in the following manner:

Note	Purpose	RM'000	%	Estimated Time Frame for Utilisation (From Date of Listing)
(i)	Capital expenditure	3,000	15.00	Within 24 months
(ii)	R&D expenditure	3,000	15.00	Within 24 months
(iii)	Repayment of bank borrowings	2,620	13.10	Within 12 months
(iv)	Working capital	9,080	45.40	Within 24 months
(v)	Estimated listing expenses	2,300	11.50	Upon Listing
	Total gross proceeds	20,000	100.00	

Notes:

(i) **Capital expenditure**

Details of the capital expenditure of RM3.00 million are as follows:

Details	Note	Estimated cost RM'000
Set-up of primary processing plant	(a)	1,500
Purchase of machineries for the processing of herbs	(b)	1,500
Total		3,000

Notes:

- (a) In line with our expansion plans, we have earmarked RM1.50 million for setting up a primary processing plant with a built-up area of approximately 10,000 sq ft in Pasir Raja, Terengganu to process herbs harvested from the farm into processed herbs. Such process involves washing, drying and packaging of herbs harvested from Pasir Raja Land.

The breakdown of the estimated cost for the set-up of the primary processing plant is as follows:

Details	Estimated cost RM'000
Piling works	300
Building works	1,100
Roofing	100
Total	1,500

3. DETAILS OF OUR IPO (Cont'd)

- (b) We have earmarked RM1.50 million for the purchase of machineries with a processing capacity of 300 tonnes of herbs per annum which will be utilised for processing of herbs harvested from Pasir Raja Land.

The breakdown of the estimated costs for the purchase of machineries is as follows:

Details	Estimated cost RM'000
Washing equipment	137
Drying equipment	218
Grinding equipment	254
Mixing equipment	68
Packaging equipment	183
Storage infrastructure	160
Electrical installation, fixtures and fittings	430
Others	50
Total	1,500

Please refer to Section 6.17(v) of this Prospectus for details of our future plan for development of Pasir Raja Land.

(ii) **R&D expenditure**

Details of the R&D expenditure of RM3 million are as follows:

Details	Note	Estimated cost RM'000
Upgrading of our laboratory facilities	(a)	400
Development of fermentation process for four (4) new medicinal mushroom strains	(b)	2,600
Total		3,000

Notes:

- (a) We have earmarked RM0.40 million of our IPO proceeds to upgrade our laboratory facilities in our Bangi plant to obtain the SAMM accreditation. The accreditation from SAMM will enable us to perform in-house biological and microbiological testing on samples or products and attain test reports which will be recognised by MOH.
- (b) We have earmarked RM2.60 million of our IPO proceeds for the development of our fermentation process for four (4) new medicinal mushroom strains, namely *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*. The fermentation process development costs relate to costs for the engagement of external R&D partners to assist in amongst others, the development of mediums suitable for the fermentation of the four (4) new medicinal mushroom strains and the establishment of optimum culture methods for these mushroom strains. The development of our fermentation process will enable us to commercialise product formulations produced from these four (4) medicinal mushroom strains.

3. DETAILS OF OUR IPO (Cont'd)

(iii) Repayment of bank borrowings

Details of the repayment of bank borrowings of RM2.62 million are as follows:

Banking facility	Note	Details	Interest rate	Maturity date	Balance as at the LPD RM'000	Amount to be repaid from IPO proceeds RM'000
Term loan	(a)	Reconstruction of Bangi plant	BLR - 0.70%	October 2037	896	835
Term loan	(b)	Purchase of Bangi plant	BLR - 1.20%	February 2037	1,076	1,009
Hire purchase	(c)	Purchase of machinery	2.44%	November 2016	389	313
Term loan	(d)	Working capital purposes	5.25%	April 2017	476	463
Total					2,837	2,620

Notes:

(a) We intend to utilise RM0.84 million of our IPO proceeds to repay bank borrowings from United Overseas Bank (Malaysia) ("UOB") which was used to finance the reconstruction of our Bangi plant..

The repayment of this term loan is expected to have a positive financial impact on our Group by resulting in total interest savings of approximately RM0.73 million based on the existing prevailing interest rate of 6.15%.

(b) We intend to utilise RM1.01 million of our IPO proceeds to repay bank borrowings from UOB which was used to finance the purchase of our Bangi plant.

The repayment of this term loan is expected to have a positive financial impact on our Group by resulting in total interest savings of approximately RM0.76 million based on the existing prevailing interest rate of 5.65%.

(c) We intend to utilise RM0.31 million of our IPO proceeds to repay the hire purchase facility from Malaysian Industrial Development Finance Berhad which was used to finance the purchase of machinery for freeze drying, press filter purpose and packaging for our medicinal mushrooms.

The repayment of this hire purchase facility is expected to have a positive financial impact on our Group by resulting in total interest savings of approximately RM0.01 million based on the interest rate of 2.44%.

(d) We intend to utilise RM 0.46 million of our IPO proceeds to repay bank borrowings from Bank Pertanian Malaysia Berhad (Agrobank) which was used to part finance our working capital for the manufacturing of our health supplement products.

The repayment of this term loan is expected to have a positive financial impact on our Group by resulting in total interest savings of approximately RM0.03 million based on the interest rate of 5.25%.

The use of the proceeds from our IPO to repay the bank borrowings highlighted in items (a) to (d) above is expected to have a positive financial impact on our Group by lowering the finance costs to be incurred by our Group. The total potential savings on finance costs is approximately RM1.53 million.

3. DETAILS OF OUR IPO (Cont'd)**(iv) Working capital**

Details of utilisation of our IPO proceeds of RM9.08 million for working capital purposes are as follows:

<i>Note</i>	<i>Details</i>	<i>Estimated cost RM'000</i>
(a)	<i>Purchase of raw materials</i>	7,000
(b)	<i>Defrayment of production costs</i>	2,080
		9,080

Notes:

- (a) *Purchase of raw materials for our herbal and non-herbal active ingredients, consumables such as coffee extract powder, black tea and isomalto-oligosaccharide and packaging supplies such as Halal capsules and Polyethylene Terephthalate bottles.*
- (b) *Defrayment of production cost includes labour cost and overheads such as water, electricity, and rental.*

The utilisation of our IPO proceeds for working capital purposes is consistent with our expanding business and growth strategies, and is expected to enhance our cash flow position and enable us to conduct our operations and expansion without being overly dependent on external funding.

(v) Estimated listing expenses

Details of the estimated listing expenses of RM2.30 million are as follows:

<i>Details</i>	<i>Estimated cost RM'000</i>
(a) <i>Professional advisory fees</i>	1,150
(b) <i>Underwriting, placement and brokerage fees</i>	420
(c) <i>Authorities fees</i>	66
(d) <i>Printing and advertising costs</i>	150
(e) <i>Others incidental expenses</i>	514
	2,300

Our Company will bear all the expenses and fees incidental to our Listing.

Pending the eventual utilisation of our IPO proceeds for the above purposes, the proceeds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

3. DETAILS OF OUR IPO (Cont'd)**3.6 DILUTION**

Dilution is the amount by which the IPO Price to be paid by applicants for our IPO Shares exceeds our consolidated NA per Share immediately after our IPO as follows:

	<u>Sen</u>
IPO Price	20.00
Pro forma consolidated NA per Share as at 30 September 2014 before our IPO	14.39
Pro forma consolidated NA per Share as at 30 September 2014 after our IPO (after adjusting the effect of the utilisation of proceeds)	15.10
Dilution in pro forma consolidated NA per Share to new investors	4.90
Dilution in pro forma consolidated NA per Share as a percentage of our IPO Price	24.50%

Save as disclosed below, none of our Directors, substantial shareholders and key management or persons connected to them has acquired our Shares during the past three (3) years prior to the date of this Prospectus:

	No. of Shares before IPO	No. of Shares from IPO	Total consideration RM	Average effective cash cost per Share RM
William Hon	122,103,560	-	6,105,178	0.050
PNS	105,387,077	-	16,440,384	0.156
MTDC	81,402,920	-	4,070,146	0.050
Dato' Sri Syed Zainal	3,643,037	-	568,313	0.156

3.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES**3.7.1 Brokerage**

Brokerage relating to our IPO Shares made available for application by the Public is payable by us at the rate of one percent (1.0%) of the IPO Price, in respect of successful applications bearing the stamp of Kenanga IB, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or our Issuing House.

3.7.2 Underwriting Commission

Kenanga IB, as our Underwriter, has agreed to underwrite up to 20,000,000 IPO Shares, which is reserved for application under the Public Tranche as set out in Section 3.1(i) of this Prospectus. An underwriting commission is payable by us to our Underwriter at the rate of 2.0% of the total value of the underwritten Shares at the IPO Price.

3.7.3 Placement Fee

Kenanga IB has arranged for the placement of 80,000,000 IPO Shares at a rate of between 0.25% and 2.5% of the value of the IPO Shares based on the IPO Price.

3. DETAILS OF OUR IPO (Cont'd)

3.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with Kenanga IB on 3 March 2015 to underwrite 20,000,000 IPO Shares as set out in Section 3.1(i) of this Prospectus.

The following salient terms are reproduced from the Underwriting Agreement. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

5 CONDITIONS PRECEDENT FOR UNDERWRITING

5.1 *Unless waived by the Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under the Underwriting Agreement shall be conditional upon the fulfillment and/or satisfaction of the following:*

- (a) *the approvals of Bursa Securities (for, inter alia, the listing of and quotation for the Company's entire enlarged issued and paid-up share capital of RM23,170,655.70 comprising 463,413,114 ordinary shares of RM0.05 only each on the ACE Market of Bursa Securities) have been obtained via its letter dated 21 January 2015, remaining valid and have not been revoked or amended and all the conditions imposed therein which have to be complied by the Company prior to Listing, have been complied by the Company;*
- (b) *the receipt by the Underwriter of all relevant documentation and placement monies in respect of the private placement of 80,000,000 IPO Shares to identified investors;*
- (c) *all other necessary approvals and consents required in relation to the Public Issue and the IPO Shares including but not limited to governmental approvals having been obtained and are in full force and effect;*
- (d) *the issue of the IPO Shares having been approved by the shareholders of the Company in an extraordinary general meeting;*
- (e) *the issue and subscription of the IPO Shares in accordance with the provisions of the Underwriting Agreement is not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);*
- (f) *the Prospectus having been lodged with the Registrar of Companies and registered with the SC together with all the required documents in accordance with the CMSA, the Act and the relevant laws and regulations;*
- (g) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material breach of any representation, warranty, covenant, undertaking or obligation of the Company in the Underwriting Agreement or which is contained in any certificate, statement or notice provided under or in connection with the Underwriting Agreement or which proves to be incorrect in any material respect;*

"Closing Date" means the last date and time for the receipt of the applications and payment for the IPO Shares in accordance with the Prospectus or such later date as the Company and the Underwriter may mutually agree upon;

3. DETAILS OF OUR IPO (Cont'd)

"Extended Closing Date" means the extended closing date for the receipt of the applications and payment for the IPO Shares pursuant to the Public Issue which will be notified in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia;

- (h) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Underwriter, is or will be material in the context of the Public Issue and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering materially inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company in the Underwriting Agreement;*
- (i) *the Underwriter receiving a copy certified by a director or secretary of the Company to be a true resolution of the Board of the Company approving the Listing, the Prospectus and the Underwriting Agreement, the issue and offer of the IPO Shares and authorizing a person or persons to sign the Underwriting Agreement on behalf of the Company; and*
- (j) *the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 15 (Costs and Expenses) of the Underwriting Agreement.*

12 TERMINATION

12.1 *Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date or the Extended Closing Date, as the case may be, terminate, cancel and withdraw its commitment to underwrite the underwritten shares if:*

- (a) *the approval of Bursa Securities for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Underwriter;*
- (b) *there is any material breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or*
- (c) *there is a material failure on the part of the Company to perform any of its obligations in the Underwriting Agreement; or*
- (d) *there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the IPO Shares; or*
- (e) *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group; or*

3. DETAILS OF OUR IPO (Cont'd)

- (f) *the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market of Bursa Securities due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the IPO Shares; or*
- (g) *a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia KLCI Index (“Index”) is, at the close of normal trading on Bursa Securities, on any Market Day:*
- (i) *on or after the date of the Underwriting Agreement; and*
- (ii) *prior to the close of the offering of the Public Issue,*
- lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event; or*
- (h) *there shall have occurred, or happened any of the following circumstances:*
- (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
- (ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole, the success of the Public Issue which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

4. RISK FACTORS

Prior to making an investment decision, you should carefully consider the risk factors set out below that may have a significant impact on us or our Shares, together with other information contained in this Prospectus.

If you are unsure about any of the information contained under this section on “Risk Factors”, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

4.1 RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY IN WHICH WE OPERATE

4.1.1 Our business may be adversely affected by product defects, product liability claims, product recalls, adverse publicity or negative public perception regarding our products or our industry in general

If any of our products were to be involved in product contamination, tampering, adulteration, damage or mislabelling, we may need to recall some or all of our products. A widespread product recall, or even a recall of similar products sold by other manufacturers, could result in significant losses due to the cost of conducting a product recall, including destruction of inventories and loss of sales resulting from the unavailability of the product for a period of time.

In addition, adverse publicity or negative public perception regarding the products that we sell, the safety or quality of our products or our industry in general could result in substantially lower demand for our products. Negative public perception could also arise from regulatory investigations or product liability claims, regardless of whether those investigations involve us or whether any product liability claim is successful against us.

We may also be liable if the consumption or use of any of our products causes illness or death. A significant product liability judgment, involving us or our competitors, could also result in a loss of consumer confidence in our products and materially impact consumer demand, which in turn could have a material adverse effect on our financial position, results of operations and prospects.

Nevertheless, we are familiar with the need for stringent quality control procedures for product formulation and manufacturing processes given our GMP compliance since 2008. To date, we have not had any of our products recalled from the market, and have not experienced any product liability claim nor reputation risks and lack of consumer confidence due to contaminated products.

4.1.2 We may be subject to infringement of our intellectual property and/or proprietary liquid fermentation technology by other players in the market

We use various brand names, i.e. “Bexlim[®]”, “Nushine”, “Bioapotec[®]”, “Alphanex”, “Apotec” and “Bioa”, to package, advertise, distribute and sell our products. Protection of these brands and intellectual property rights are important in maintaining our distinctive corporate and market identities. If third parties sell products that use counterfeit versions of our brands or otherwise look like our brands, consumers may confuse our products with products that they consider to be inferior and this could negatively impact our brand image and sales.

We have been granted trademark registrations covering some of our brands, and have filed and are expected to continue to file trademark applications for newly developed brands. The registration of our trademarks will confer protection on our brands such that subsequent third party users are prevented from using trademarks which are similar to ours.

We also produce some of our raw materials using our proprietary liquid fermentation technology. Knowledge of such proprietary information is restricted to our Managing Director/Chief Executive Officer and certain R&D personnel as well as the research partners whom we engaged to assist us in the development of such technology. In addition, we also seek to protect our proprietary information in part by having confidentiality and non-disclosure clauses in agreements with our employees and research partners as well as filing patent applications for our proprietary liquid fermentation technology.

4. RISK FACTORS (*Cont'd*)

However, there can be no assurance that we will be able to continue to protect our proprietary and intellectual property rights against infringement or unauthorised third party copying, use or exploitation, any of which may have an adverse impact on our business, operating results and financial condition.

Our intellectual property rights are registered and/or pending registration for protection in certain jurisdictions i.e. Taiwan and Malaysia. There can be no assurance that third parties will not exploit these intellectual property rights in jurisdictions where our rights have not been registered or otherwise protected.

4.1.3 Our R&D activities may not lead to successful technologies or products

Our success and earnings growth depend in part on our ability to be efficient in the production of our products and to develop new products to meet prevailing market demand. To this end, we are committed to undertake R&D activities to develop new product formulations and to enhance our production process. Our qualified R&D team is advised by our SAB and in more complex cases which involve the expertise of scientists such as plant geneticists and molecular biologists, we also work with research partners who are experts in these fields. Please refer to Section 6.5 of this Prospectus for the process flow for our R&D activities.

We are not, however, dependent on these research partners as the ownership of the technology developed is vested with our Group and the risk of losing the said technology to competitors is protected by the confidentiality and non-disclosure clauses terms stated in the respective experts' engagement letters. In the event our arrangements with our research partners were to cease, we can identify and readily work with other institutions and/or experts based in Malaysia or overseas.

However, there can be no assurance that our R&D activities will be successful. Unsuccessful R&D activities may have an adverse impact on our financial performance as the R&D expenses incurred may have to be written off or sales of the newly developed products may be insufficient to cover our R&D expenses.

4.1.4 Interruptions in utility supply and/or increase in the cost of these utilities could disrupt and/or affect our business

Our liquid fermentation process is reliant on a constant supply of utilities such as electrical power and water. Any significant or prolonged interruption in the supply of electrical power and water or other essential utilities could cause us to lose entire production batches of fermented medicinal mushroom and thus, disrupt our production. Increases in our utility costs may also have an adverse effect on our profit margin and results of operations. Our operations are also subject to other risks such as accidents and fire.

To minimise the impact of supply disruptions, we have in place emergency systems such as back-up power supply/power generators to facilitate the continued operations of our production facilities. To date, we have not experienced any significant disruptions in our operations caused by utility supply disruptions. However, there can be assurance that such event will not occur or if occur, would not have a material adverse effect on our operations and financial performance.

We have also taken up insurance covering our property, plant and equipment. However, there can be no assurance that this coverage is sufficient to offset the potential liabilities and financial losses relating to our operations. In the event that the amounts of such liabilities and losses exceed the insurance coverage of our policies, we may have to bear such liabilities and losses ourselves. There are also other risks such as natural disasters, riots, general strikes, acts of terrorism and other risks that cannot reasonably be insured against, which may adversely affect our operations and financial performance.

4. RISK FACTORS (*Cont'd*)

4.1.5 Inherent risks in herb farming may cause disruption of supply of herbs for our manufacturing process

We are subject to risks inherent in herb farming. These include, but are not limited to, outbreaks of disease, damage from pests, fire or other natural disasters, adverse climate conditions and increase in labour costs. Disruptions in the supply of herbs from our herb farms could affect our production of herbal products should we be unable to source alternative supplies of quality herbs on a timely basis.

Our ability to mitigate these risks depends on various factors, including our ability to keep abreast of the latest technologies related to planting materials, disease prevention and farm operations. As such, we have a business development (agricultural) division, which is responsible for our herb farming activities and overall agricultural development. This division oversees our current herb farm on Desaru Land and will manage our future farm on Pasir Raja Land to ensure a continuous supply of herbs for our manufacturing process. They also regularly engage representatives from MOA for the latest developments relating to planting materials, disease prevention and farm operations.

However, there can be no assurance that such events can be contained or eliminated entirely and will not have a material adverse effect on our operations and financial performance.

4.1.6 Our herb farms' leases are not registered under the NLC

We were appointed by ECERDC as an Anchor Company to invest, develop and commercially manage a herbal integrated cluster development in Pasir Raja, Terengganu. Pursuant thereto, we have, on 30 January 2015, entered into a sub-lease agreement with ECERDC for the lease of 123.5 acres of Pasir Raja Land for a period of thirty (30) years. Please refer to Section 6.16.1 of this Prospectus for further details of the said lease.

In order to safeguard our legal interests as lessee, we will register the said lease under Section 221(4) of the NLC as any lease that is above three (3) years is required to be registered under the NLC. Failure to register a lease under the NLC will not result in any penalty being imposed. In addition, there is no timeline prescribed under the NLC to register a lease.

We had also entered into a Joint Venture Agreement to jointly develop and undertake biotechnology farming on Desaru Land. Pursuant thereto and as provided under clause 3.1(d) of the Joint Venture Agreement, J-Biotech Herbal has agreed to lease the Desaru Land to BJHSB, being the joint-venture company, for a period of sixty (60) years as injection of capital into BJHSB.

As at the LPD, we have yet to enter into a lease agreement with the owner of Desaru Land. Without a formal lease agreement for the leasing of Desaru Land, we may be denied the rights to occupy the said land, which will affect our herb farming activities thereon.

The Desaru Land is located within an area measuring approximately 3,642 hectares in Tanjung Balau known as 'Bio Desaru - Organic Food Valley' and is part of the Johor State Government's initiative to develop Bio Desaru into an agricultural development region based on modern biotechnology. Bio Desaru Sdn Bhd, the holding company of J-Biotech Herbal, had clarified that the delay in preparation of the lease agreement for Desaru Land was mainly due to a delay in finalising all the investors for Bio Desaru, whereby preparation of the relevant agreements for these investors, including the Desaru Land lease agreement, and registration of the same with the Johor Land Office would be executed at the same time.

Pursuant to the finalisation of all the investors for Bio Desaru, Johor Biotechnology and Biodiversity Corporation, the registered owner of Desaru Land and ultimate holding company of J-Biotech Herbal, is in the midst of drafting the said lease agreement to be submitted to the State Secretary, Johor (Incorporated), whereby the agreement is expected to be executed by the second half of 2015.

4. RISK FACTORS (Cont'd)

Nonetheless, our right to the lease of Desaru Land is provided in clause 3.1(d) of the Joint Venture Agreement and we are working closely with the owner of Desaru Land to formalise the said lease. In the event our right to occupy Desaru Land is denied, we will have legal recourse against J-Biotech Herbal for breach of term of contract. In such a situation, we can continue our herb farming activity on Pasir Raja Land as well as source the required herbal plants from external suppliers/farmers.

Currently, the herbal plants harvested from our herb farm on Desaru Land are processed into processed herbs for our manufacturing of finished and semi-finished health supplement products as well as sold to third party customers.

In the event the right to occupy Desaru Land is denied, we do not expect our operations to be materially affected as the herbal plants harvested from our herb farm on Desaru Land only constituted approximately 1.25% of our total raw materials purchases for FPE 30 September 2014 and we can alternatively source these herbal plants from external suppliers/farmers. In addition, we do not expect our financial performance to be materially affected as our operations on Desaru Land, *vide* BJHSB, generated a net loss of RM0.18 million for FPE 30 September 2014.

Please refer to Section 6.16 of this Prospectus for further details on our herb farms.

4.1.7 We are susceptible to regulatory, political, economic and social conditions relating to the health supplement industry in Malaysia as well as other international markets in which we operate

We operate under a broad range of laws and governmental regulations, both in Malaysia and in international markets, including Indonesia and Australia. These laws and regulations cover many aspects of our operations, including permits and licenses to manufacture and sell our products, and levels of government incentives and exemptions. In addition, food safety laws and regulations in countries in which we operate may become more stringent in the future and this may require us to incur more cost and time to ensure compliance. Non-compliance to new regulations may result in revocation of our permits and licenses.

All our health supplement products that are currently sold in the market have been registered with the relevant authorities of the respective countries, including Indonesia and Australia, either by ourselves or our customers. Whilst we have not experienced any significant difficulty in obtaining these approvals in the past, we cannot provide assurance that the relevant authorities will register our future products in the timeframe we anticipate or at all.

We were granted a BioNexus status by MBC in 2008, which allows BRSB to enjoy tax exemption benefits on qualifying activities for a period of ten (10) years. We have also been awarded with grants by various government agencies including, but not limited to, the CRDF from MTDC for R&D on the extraction of polysaccharide carbohydrate from *L. rhinocerus* and the BCF grant from MBC for the development of new *C. sinensis* based products. In addition, we have also been appointed as an Anchor Company under the EPP1, which entitles us to a grant to fund the R&D expenses required for the attainment of "High-value herbal products" and botanical drug claims for two (2) of our existing herbal supplement products for diabetes and hormone replacement therapy. Please refer to Section 6.5 of this Prospectus for the salient terms of the grants.

The agreements in relation to the CRDF and BCF grant contain negative covenants, whereby BRSB shall not undertake certain actions without the prior written consent of MTDC and MBC, such as diversification of business activities and disposal of all or a substantial part of its assets. These negative covenants, other than those specifically relating to the grant projects, are similar to certain requirements under the Listing Requirements and/or the Act, whereby shareholders' approval are also required for the abovementioned actions. Thus, these negative covenants have accorded MTDC and MBC similar rights as BRSB's shareholders during the tenure of the grants ("Negative Covenants"), which will be expiring on 13 June 2015 and 15 July 2015 respectively.

In the event that we decide to undertake such actions during the tenure of the grants through BRSB and MTDC and/or MBC withhold their consents, we will not be entitled to the respective grants and may be liable to repay monies disbursed under the grants, if any.

4. RISK FACTORS (Cont'd)

Nonetheless, it is not our intention for BRSB to undertake any actions which may trigger the consent of MTDC and MBC under the Negative Covenants as BRSB was established for the purpose of undertaking R&D activities in order to widen our product range and enhance our product offerings. Any diversification of activities within our Group or other activities which would trigger the consent of MTDC and MBC under the Negative Covenants will be undertaken by other existing or new companies within our Group. In addition, the assets owned by BRSB, which mainly comprise laboratory fittings and fixtures and laboratory machines such as bioreactors, extraction unit, autoclave machines and incubators, will continue to be used for our activities during the tenure of the grants.

However, there is no assurance that the Government, through its relevant agencies, will continue to provide such incentives and exemptions, and that we will be able to continue to receive similar grants. Although the loss of any of these grants will not have a material impact on our business, these grants do accelerate our R&D activities and are able to subsidise part of our R&D expenses.

On the other hand, in the event that we lose our BioNexus status or the tax exemption for BioNexus companies do not continue, we will incur income tax charges on our qualifying activities which may adversely affect our financial performance.

Other political uncertainties that may unfavourably affect us include changes in government policies on priority sectors, war, economic downturn, financial crisis, expropriation, nationalization, re-negotiation or nullification of existing contracts, changes in interest rates, methods of taxation and currency exchange controls.

Whilst we practice prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political and regulatory developments locally or even globally will not materially affect our operations, financial performance and future prospects.

4.1.8 Our success depends on our key personnel and our ability to attract and retain skilled personnel

Our success is largely attributed to our management team, including our Managing Director/Chief Executive Officer, William Hon. Our key management has also played a pivotal role in our day to day operations and expansion. The loss of our key personnel may disrupt our business as we may be unable to find a suitable replacement in a timely manner.

We strive to minimise this risk by having in place a management succession plan, which includes taking a proactive approach towards addressing talent management. Our middle management are constantly exposed to various aspects of our business activities to ensure that they have a full understanding of the necessary responsibilities and decision making process.

Nonetheless, there can be no assurance that our measures will be successful in retaining our key personnel or in ensuring a smooth transition should changes occur.

4.2 RISKS RELATING TO AN INVESTMENT IN OUR SHARES

4.2.1 There has been no prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon our Listing, an active market for our Shares will develop, or if developed, that such a market can be sustained.

The market price of our Shares could be affected by many factors, some of which are not within our control and may be unrelated or disproportionate to our financial performance and/or position. These include, amongst others, the depth and liquidity of the market for our Shares, general market and economic conditions, the market for similar securities, investors' individual perceptions of our Group, our financial performance and/or future prospects.

4. RISK FACTORS (*Cont'd*)

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Thus, there can be no assurance that our Shares will not trade at prices that may be lower than our IPO Price.

4.2.2 Control by our Promoters may limit your ability to influence the outcome of decisions requiring shareholders' approval

As disclosed in Section 8.1.1 of this Prospectus, our Promoters will collectively hold approximately 67.45% of our enlarged issued and paid-up share capital upon our Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

Nonetheless, as a step towards good corporate governance, we have appointed four (4) Independent Non-Executive Directors and set up an Audit Committee to ensure that, *inter-alia*, any future transactions involving related parties are entered into on an arm's length basis, on normal commercial terms which are no more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders.

4.2.3 There may be a delay in or cancellation of our Listing

The occurrence of any one or more of the following events, which are not exhaustive, may cause a delay in or cancellation of our Listing:

- (a) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder; and/or
- (b) we are unable to meet the public shareholding spread requirement under the Listing Requirements, i.e. at least 25% of our issued and paid-up share capital must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

We expect to meet the public shareholding requirement at the point of Listing by allocating our IPO Shares to the required number of public shareholders during the balloting/private placement processes. However, should the events stipulated in (a) and/or (b) above occur, monies paid in respect of any applications accepted will be returned without interest within fourteen (14) days after we become liable to repay it, failing which the provisions of sub-section 243(2) of the CMSA will apply and we will be liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event that our Listing is aborted but our Shares have been allotted to investors, a return of monies to such investors could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the approval of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and sanction of the High Court of Malaya. Thus, there can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

4. RISK FACTORS (Cont'd)

4.2.4 Forward looking statements in this Prospectus may not be accurate

This Prospectus contains certain forward-looking statements that are based on historical data which may not be reflective of our future performance, and others are forward-looking in nature which are subject to uncertainties and contingencies. As such, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from future results.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include among others, general economic and business conditions.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

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5. INFORMATION ON OUR GROUP

5.1 HISTORY

We were incorporated in Malaysia under the Act on 21 June 2011 as a public limited company under the name of BHB to facilitate our listing on the ACE Market of Bursa Securities.

Our principal activity is investment holding whilst our subsidiaries are principally involved in the manufacturing and sales of semi-finished and finished health supplement products as an ODM as well as under our house brands. Our health supplement products comprise processed herbs, formulated ingredients, functional foods as well as herbal and non-herbal supplements which offer a variety of health benefits, including for general health maintenance, improving blood circulation, enhancing vitality, relief of cough and sore throat, and general well-being for women.

Our history can be traced back to 2005 when our founder and Managing Director/Chief Executive Officer, William Hon, incorporated BISB to undertake the sale of health supplement products. At that time, our products were sold under our house brand “*Bexlim*®”, which were produced by a third party OEM manufacturer based on product formulations developed by us. The “*Bexlim*®” trademark was licensed to BISB and BDSB for utilisation by William Hon and was subsequently assigned to BISB on 26 August 2014.

We initially focused on the Malaysian market and as our Malaysian business expanded, we penetrated the Indonesian market in 2007. In 2008, we further expanded our international business to the Thailand and Vietnam markets in the same year, and the Hong Kong market in 2009.

We ventured into the manufacturing of health supplement products when we set up our manufacturing facility in Semenyih, Selangor in 2007. Since then, we are not only able to undertake manufacturing activities for our house brands but also contract manufacturing as an ODM or OEM for third party brand owners and distribution companies. We commenced our manufacturing activities as an ODM and OEM on behalf of our customers in 2008.

The year 2008 marked a number of other important milestones for our Group. MTDC invested in BISB in that year, which facilitated the expansion of our Semenyih plant and allowed us to produce our products in three (3) additional packaging forms (i.e. capsule, bottle and tablet) from the then existing two (2) packaging forms (i.e. sachet and teabag). In the same year, our Semenyih plant was certified as GMP compliant by MOH.

We also established BRSB in 2008 to focus on R&D activities in order to widen our product range and enhance our product offerings. One of our first key R&D activities undertaken was in relation to medicinal mushroom, particularly *C. sinensis*, a medicinal mushroom that grows in the Himalayan plateau, particularly in the Tibetan region. Our R&D personnel worked closely with Professor Dr Yu Zhao Feng, a scientist based in China, on the isolation of the *C. sinensis* strain and development of our liquid fermentation technology. The isolation of the *C. sinensis* strain is a process to extract cells from *C. sinensis* that can be fermented to produce the required active compounds for our products, while the liquid fermentation process essentially allows us to cultivate the *C. sinensis* strain in a controlled environment. With the successful outcome of the above, we are able to produce a consistent supply of quality *C. sinensis* mycelium powder in large quantities, which would otherwise be costly to procure from its natural source in China, Tibet and Nepal.

As a testament to our R&D efforts, we, through BRSB, were awarded the BioNexus status by MBC in 2008, which accorded BRSB with several tax and business incentives under the BioNexus Bill of Guarantees, including income tax exemption for ten (10) years, freedom to bring in knowledge workers, assistance for international accreditations and standards as well as eligibility for grants.

In 2009, we were awarded a grant of RM2.5 million by MBC to set up and commercialise our liquid fermentation facility at our Semenyih plant, which was fully operational in 2011. We have filed patent applications for our liquid fermentation process of *C. sinensis* in Malaysia and Taiwan in 2012, and are awaiting the results of both applications.

5. INFORMATION ON OUR GROUP (Cont'd)

We have also successfully developed product formulations, which totaled 167 as at the LPD through our R&D activities. While our first few product formulations were centered on anti-aging, weight management and detoxification, we were later able to develop product formulations with a wider variety of health benefits. This, in turn, has enabled us to secure more ODM customers.

In 2010, we expanded our range of house brands, whereby these products are sold to third party retail pharmacies and other food and health retail outlets through our marketing arm, BDSB. To date, we have commercialised six (6) different house brand products, i.e. "Bexlim[®]", "Nushine", "Bioapotec[®]", "Alphanex", "Apotec" and "Bioa". In 2011, "Bioapotec[®]" was trademarked, while trademark applications have been submitted for "Nushine", "Alphanex" and "Apotec".

In order to ensure a continuous supply of quality herbal plants used in our manufacturing processes, we ventured into the cultivation and farming of herbal plants through the establishment of BASB. In 2010, BASB entered into a joint-venture agreement with J-Biotech Herbal, a wholly-owned subsidiary of Bio Desaru Sdn Bhd, to establish a joint-venture company, BJHSB, for the cultivation and farming of herbs on Desaru Land. As at the LPD, we have successfully harvested turmeric, ginger, misai kucing, kacang fatimah, hempedu bumi and roselle from the Desaru Land, whilst other herbal plants such as tongkat ali, pecah beling and dukung anak are in various stages of growth.

As part of the formation of our Group in 2011, our Company acquired the entire equity interests of BISB for a total purchase consideration of RM12.72 million, which was satisfied by the issuance of 254,382,600 new Shares at par. In conjunction therewith, BISB transferred the entire equity interests of BRSB and BDSB to our Company.

In 2011, we also established our SAB through the engagement of various experts in the areas of product formulation and manufacturing process, fermentation technology, and pre-clinical and clinical trials as advisers to our R&D team.

Our R&D activities in relation to the isolation of medicinal mushroom strains continued in 2011, and we presently have in store five (5) other medicinal mushroom strains apart from *C. sinensis*, i.e. *L. rhinoceros*, *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*. Of these, we have developed fermentation technologies for *C. sinensis* and *L. rhinoceros*, whilst our R&D team will continue to identify the appropriate fermentation process for the rest of the medicinal mushroom strains.

Arising from our track record built throughout the years, we entered into the NKEA Agricultural Scheme ("NKEA Agreement") with the Government whereby we were appointed, and funded, as an Anchor Company in 2011 to undertake pre-clinical and clinical research studies on "High-value herbal products" as part of the EPP1. The EPP1 is a project identified to grow the agriculture sector and is a NKEA of Agriculture under the ETP driven by PEMANDU. The EPP1 aims to improve product quality and marketing efforts of dietary and herbal supplements to tap into the global demand for "High-value herbal products". Under this initiative, we are entitled to a grant of up to RM20 million to carry out pre-clinical and clinical studies on two (2) of our herbal supplement products for diabetes and as hormone replacement therapy. At present, we are in the midst of pre-clinical studies for both products, which are expected to be completed in 2015.

In 2012, we further expanded our international business when we penetrated the Australian market with sales of our products under our house brand, "Nushine". We later expanded to the Cambodian market in 2013 when we secured an ODM contract.

5. INFORMATION ON OUR GROUP (Cont'd)

As our business began to grow, we expanded our production facility to cater for future growth. In 2013, the construction of our own plant in Bangi, Selangor was completed with capacity for health supplement manufacturing as well as a laboratory for our R&D activities. In light of this, we moved our liquid fermentation facility to Bangi and commenced manufacturing activities in the plant in the same year. Our Bangi plant was certified as GMP compliant in 2014.

In 2013, we were awarded a CRDF of approximately RM2.8 million by MTDC for the funding of our R&D on the extraction of polysaccharide from *L. rhinocerus*, which would enable us to manufacture new health supplements with energy restoration and immune system strengthening benefits. In the same year, PNS also became our substantial shareholder when they invested in our Company.

In 2013, we received an offer for BCF from MBC entitling us to a RM1 million grant and a RM2 million term loan, which would enable us to commercialise thirteen (13) new *C. sinensis* based product formulations.

In 2014, we were appointed by ECERDC as an anchor company to invest, develop and manage the Pasir Raja Land, of which 123.5 acres will be undertaken under phase 1 and the remaining 879.7 acres to be undertaken upon full development of phase 1. In addition to assisting the Government in boosting the herbal product industry through creation of opportunities for employment, this also gives us an additional avenue of supply of quality herbal plants used in our manufacturing processes. We formed BECA to undertake the above activities in the same year.

We also launched our first retail outlet, known as “LifeSprings” in Solaris Mont Kiara, Kuala Lumpur in June 2014. “LifeSprings” will enable us to reach out to our end-user customers directly and thus, increase our corporate profile and strengthen our brand recognition in the local market.

Over the years, we have successfully grown and evolved into an established group specialising in the manufacturing and sales of health supplement products. Through our achievements, we were awarded several accolades, including the “Industry Merit Award 2011 (Biotechnology)” by the Kuala Lumpur Malay Chamber of Commerce and the “Golden Eagle Award” by Nanyang Siang Pau in 2014.

5.2 SHARE CAPITAL

Our authorised share capital is RM25,000,000 comprising 500,000,000 Shares and our issued and paid-up share capital is RM18,170,655.70 comprising 363,413,114 Shares. Upon completion of our IPO, our issued and paid-up share capital will be increased to RM23,170,655.70 comprising 463,413,114 Shares.

The changes in our issued and paid-up share capital since the date of our incorporation are set out below:

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
21 June 2011	20	1.00	Cash	20.00
29 June 2011	254,382,600	0.05	Capitalisation against sufficient credit balances in favour of the respective shareholders current account with the company	12,719,150.00
12 September 2013	3,643,037	0.05	Cash	12,901,301.85
25 September 2013	105,387,077	0.05	Cash	18,170,655.70

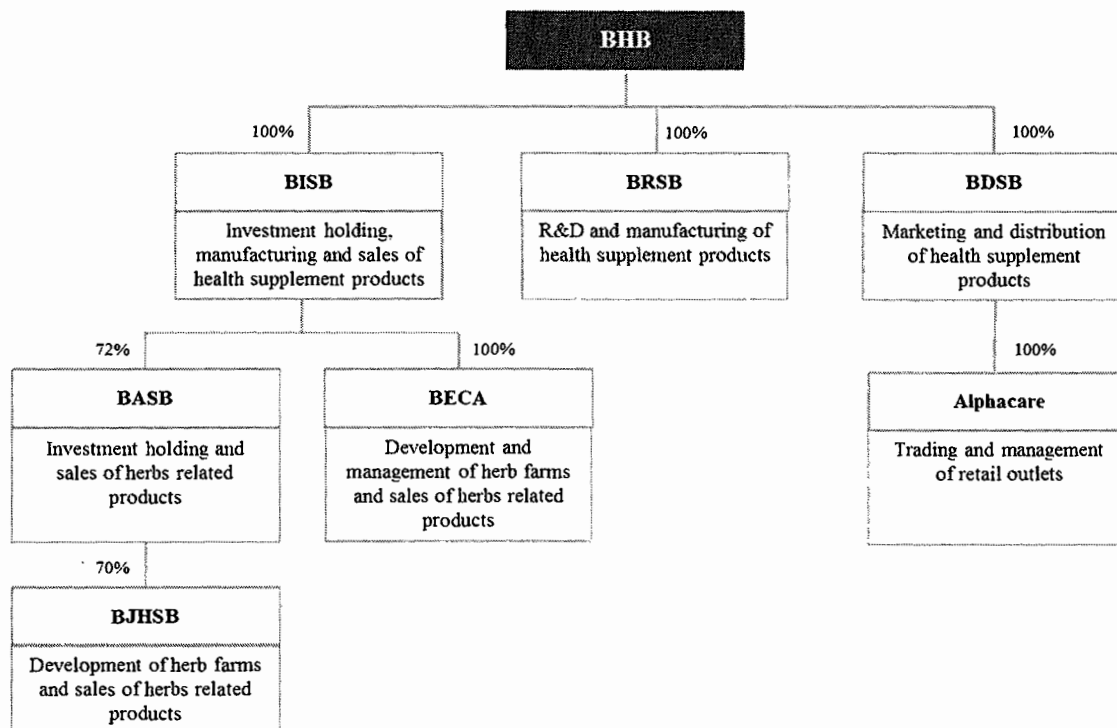
5. INFORMATION ON OUR GROUP (Cont'd)

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company.

5.3 SUBSIDIARIES

5.3.1 Group Structure

Our group structure as at the LPD is as follows:



We do not have any associated company as at the LPD.

As at the LPD, our subsidiaries do not have any outstanding warrants, options, convertible securities or uncalled capital.

5.3.2 BISB

(a) History and Business

BISB was incorporated in Malaysia on 17 November 2005 as a private limited company and commenced its business on 1 January 2006. BISB is principally involved in investment holding, manufacturing and sales of health supplement products.

(b) Share Capital

BISB has an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM520,834, comprising 520,834 ordinary shares of RM1.00 each.

There have been no changes in the issued and paid-up share capital of BISB for the past three (3) years preceding the LPD.

5. INFORMATION ON OUR GROUP (Cont'd)

(c) Shareholders and Directors

As at the LPD, BISB is our wholly-owned subsidiary and its Directors are William Hon and Ho Tze Hiung.

(d) Subsidiary and Associated Companies

Save as disclosed below, BISB does not have any other subsidiary or associated company as at the LPD:

Company	Direct Shareholding %
<u>Subsidiaries of BISB</u>	
BASB	72.0
BECA	100.0
<u>Subsidiary of BASB</u>	
BJHSB	50.4*

Note:

* Calculated based on BASB's 70% equity interests in BJHSB

5.3.3 BDSB

(a) History and Business

BDSB was incorporated in Malaysia on 17 July 2008 as a private limited company and commenced its operations on 17 July 2008. BDSB is principally involved in marketing and distribution of health supplement products.

(b) Share Capital

BDSB has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2.00 comprising two ordinary shares of RM1.00 each.

There have been no changes in the issued and paid-up share capital of BDSB for the past three (3) years preceding the LPD.

(c) Shareholders and Directors

As at the LPD, BDSB is our wholly-owned subsidiary company and its Directors are William Hon and Ho Tze Hiung.

(d) Subsidiary and Associated Companies

Save for Alphacare which is a wholly-owned subsidiary of BDSB, BDSB does not have any other subsidiary or associated company as at the LPD.

5.3.4 BRSB

(a) History and Business

BRSB was incorporated in Malaysia on 15 May 2008 as a private limited company and commenced its operations on 10 July 2008. BRSB is principally involved in R&D and manufacturing of health supplement products.

5. INFORMATION ON OUR GROUP (Cont'd)

(b) Share Capital

BRSB has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each.

There have been no changes in the issued and paid-up share capital of BRSB for the past three (3) years preceding the LPD.

(c) Shareholders and Directors

As at the LPD, BRSB is our wholly-owned subsidiary and its Directors are William Hon and Ho Tze Hiung.

(d) Subsidiary and Associated Companies

As at the LPD, BRSB does not have any subsidiary or associated company.

5.3.5 BASB

(a) History and Business

BASB was incorporated in Malaysia on 23 June 2010 as a private limited company and commenced its operations on 1 January 2011. BASB is principally involved in investment holding and sales of herbs related products.

(b) Share Capital

BASB has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM10,000 comprising 10,000 ordinary shares of RM1.00 each.

There have been no changes in the issued and paid-up share capital of BASB for the past three (3) years preceding the LPD.

(c) Shareholders and Directors

As at the LPD, the shareholders of BASB and their shareholdings in BASB are as follows:

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
BISB	7,200	72.0	-	-
Ilham Bernas Sdn Bhd ⁽¹⁾	2,800	28.0	-	-
Ng Ah Kow	-	-	2,800 ⁽²⁾	28.0
Ng Yau Foo	-	-	2,800 ⁽²⁾	28.0

Notes:

(1) *Ilham Bernas Sdn Bhd is primarily involved in project management, including planning of agricultural development and civil engineering project. The substantial shareholders and Directors of Ilham Bernas Sdn Bhd are Ng Ah Kow and Ng Yau Foo.*

(2) *Deemed interest by virtue of his shareholdings in Ilham Bernas Sdn Bhd pursuant to Section 6A of the Act.*

As at the LPD, the Directors of BASB are William Hon and Ho Tze Hiung.

5. INFORMATION ON OUR GROUP (Cont'd)

(d) Subsidiary and Associated Companies

Save for BJHSB which is a 70% owned subsidiary of BASB, BASB does not have any other subsidiary or associated company as at the LPD.

5.3.6 BECA

(a) History and Business

BECA was incorporated in Malaysia on 22 January 2014 as a private limited company and commenced its operations on 20 February 2014. BECA is principally involved in the development and management of herb farms and sales of herbs related products.

(b) Share Capital

BECA has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM200,000 comprising 200,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of BECA since its incorporation are set out below:

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
22 January 2014	2	1.00	Cash	2.00
31 December 2014	199,998	1.00	Cash	200,000.00

(c) Shareholders and Directors

As at the LPD, BECA is a wholly-owned subsidiary of BISB, which in turn is our wholly-owned subsidiary.

As at the LPD, the Directors of BECA are Dato' Sri Syed Zainal and William Hon.

(d) Subsidiary and Associated Companies

As at the LPD, BECA does not have any subsidiary or associated company.

5.3.7 Alphacare

(a) History and Business

Alphacare was incorporated in Malaysia on 5 October 2011 as a private limited company under the name Bioapotec Sdn Bhd and commenced its operations on 1 November 2013. On 3 April 2014, Bioapotec Sdn Bhd changed its name to Alphacare. Alphacare is principally involved in trading and management of retail outlets.

(b) Share Capital

Alphacare has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM1,400,000 comprising 1,400,000 ordinary shares of RM1.00 each.

5. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of Alphacare since its incorporation are set out below:

Date of Allotment	No. of Shares	Par Value RM	Consideration	Cumulative Total RM
5 October 2011	2	1.00	Cash	2.00
6 May 2014	899,998	1.00	Cash	900,000.00
18 June 2014	500,000	1.00	Cash	1,400,000.00

(c) Shareholders and Directors

As at the LPD, Alphacare is a wholly-owned subsidiary of BDSB, which in turn is our wholly-owned subsidiary.

As at the LPD, the Directors of Alphacare are Dato' Sri Syed Zainal, William Hon and Ho Tze Hiung.

(d) Subsidiary and Associated Companies

As at the LPD, Alphacare does not have any subsidiary or associated company.

5.3.8 BJHSB

(a) History and Business

BJHSB was incorporated in Malaysia on 28 October 2010 as a private limited company and commenced its operations on 4 April 2011. BJHSB is principally involved in the development of herb farms and sales of herbs related products.

(b) Share Capital

BJHSB has an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM20,000 comprising 20,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of BJHSB since its incorporation are set out below:

Date of Allotment	No. of Shares	Par Value RM	Consideration	Cumulative Total RM
28 October 2010	100	1.00	Cash	100.00
10 February 2012	19,900	1.00	Cash	20,000.00

5. INFORMATION ON OUR GROUP (Cont'd)

(c) Shareholders and Directors

As at the LPD, the shareholders of BJHSB and their shareholdings in BJHSB are as follows:

Shareholder	<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%
BASB	14,000	70.0	-	-
J-Biotech Herbal ⁽¹⁾	6,000	30.0	-	-
Bio Desaru Sdn Bhd			6,000 ⁽²⁾	30.0
J-Biotech Sdn Bhd	-	-	6,000 ⁽³⁾	30.0
J-Biotech Holdings Sdn Bhd	-	-	6,000 ⁽⁴⁾	30.0
Johor Biotechnology and Biodiversity Corporation	-	-	6,000 ⁽⁵⁾	30.0

Notes:

1. *J-Biotech Herbal is principally involved in biotechnology herbal farming for the local and export market.*
2. *Deemed interest by virtue of its shareholdings in J-Biotech Herbal pursuant to Section 6A of the Act. Bio Desaru Sdn Bhd is principally involved in the activities of regional food hub and eco-tourism centre.*
3. *Deemed interest by virtue of its shareholdings in Bio Desaru Sdn Bhd pursuant to Section 6A of the Act. J-Biotech Sdn Bhd is principally an investment holding company and manufactures and trades biotechnology and biodiversity product.*
4. *Deemed interest by virtue of its shareholdings in J-Biotech Sdn Bhd pursuant to Section 6A of the Act. J-Biotech Sdn Bhd is principally an investment holding company and exports, imports, manufactures, deals and trades of biotechnology and biodiversity products.*
5. *Deemed interest by virtue of its shareholdings in J-Biotech Holdings Sdn Bhd pursuant to Section 6A of the Act. Johor Biotechnology and Biodiversity Corporation is a statutory body incorporated pursuant to the Johor Biotechnology and Biodiversity Corporation (Enactment No 3 of 2006) by the Johor State Government.*

As at the LPD, the Directors of BJHSB are as follows:

- Asman Shah Bin Abd Rahman
- William Hon
- Ho Tze Hiung
- Dato' Seri Syed Zainal
- Shahril Anas Bin Hasan Aziz
- Ng Yau Loong
- Wan Amir-Jeffery Bin Wan Abdul Majid
- Masrah Binti Ahamad (*Alternate to Wan Amir-Jeffery Bin Wan Abdul Majid*)

(d) Subsidiary and Associated Companies

As at the LPD, BJHSB does not have any subsidiary or associated company.

5. INFORMATION ON OUR GROUP (Cont'd)

5.4 KEY ACHIEVEMENTS AND MILESTONES

Our key achievements/milestones/awards since our inception are as follows:

Year	Key Milestones/Achievements
2005	<ul style="list-style-type: none"> Commenced business via BISB in the sales of health supplement products under our house brand "Bexlim[®]"
2007	<ul style="list-style-type: none"> Set up manufacturing facility in Semenyih, Selangor Penetrated into the Indonesian market
2008	<ul style="list-style-type: none"> Secured first ODM and OEM customers MTDC became our substantial shareholder Expanded Semenyih facility from production lines for two (2) packaging forms (i.e. sachet and teabag) to five (5) packaging forms (i.e. sachet, teabag encapsulation, liquid bottling and tableting) Semenyih plant certified as GMP compliant by MOH Incorporated BRSB to focus on R&D activities Commenced R&D of medicinal mushroom, particularly <i>C. sinensis</i> BRSB awarded with BioNexus status by MBC
2009	<ul style="list-style-type: none"> Awarded grant from MBC to set up and commercialise liquid fermentation facility Awarded "Enterprise 50 Award Programme" which is jointly organised by Deloitte Malaysia and SME Corporation Malaysia
2010	<ul style="list-style-type: none"> Entered into joint-venture agreement with J-Biotech Herbal for the cultivation and farming of herbal plants on Desaru Land via BJHSB Awarded "Recognition Award for Innovative Venture Capital Backed Companies" by Malaysian Venture Capital and Private Equity Association Accredited with "AA rating" under the "Innovation Certification for Enterprise Rating and Transformation" by SME Corporation Malaysia
2011	<ul style="list-style-type: none"> Established SAB Entered into the NKEA Agreement with the Government whereby we were appointed as an Anchor Company to undertake the pre-clinical and clinical research studies on "High-value herbal products" via BECA Continued R&D on other medicinal mushrooms namely, <i>L. rhinocerus</i>, <i>Grifola frondosa</i>, <i>Lentinula edodes</i>, <i>Cordyceps militaris</i> and <i>Ganoderma lucidum</i> Awarded "Industry Merit Award 2011 (Biotechnology)" by Kuala Lumpur Malay Chamber of Commerce Commenced operations of liquid fermentation facility Trademarked house brand, "Bioapotec[®]" in Class 5
2012	<ul style="list-style-type: none"> Penetrated into the Australian market Trademarked house brand, "Bioapotec[®]" in Class 35 Awarded "Recognition Award for Outstanding Investee Company" by Malaysian Venture Capital and Private Equity Association

5. INFORMATION ON OUR GROUP (Cont'd)

Year	Key Milestones/Achievements
2013	<ul style="list-style-type: none"> • Expanded production capacity with the completion of our Bangi plant with a built-up area of 8,137 sq. ft. and two (2) additional production lines for sachet and teabag packaging forms, which increased the production capacity for these two (2) packaging forms by 100% • Awarded CRDF from MTDC to fund R&D on the extraction of polysaccharide carbohydrate from <i>L. rhinocerus</i> • PNS became our substantial shareholder • Our founder and Managing Director/Chief Executive Officer, William Hon, was awarded the “MBA Industry Excellence Award (Biotech)” by ASEAN Business Advisory Council Malaysia • Awarded BCF from MBC to enable commercialisation of thirteen (13) new <i>C. sinensis</i> based product formulations
2014	<ul style="list-style-type: none"> • Bangi plant certified as GMP compliant by MOH • Appointed as Anchor Company by ECERDC to invest, develop and manage Pasir Raja Land • Launched our retail outlet, “LifeSprings” in Solaris Mont’ Kiara, Kuala Lumpur • Awarded “Golden Eagle Award” by Nanyang Siang Pau

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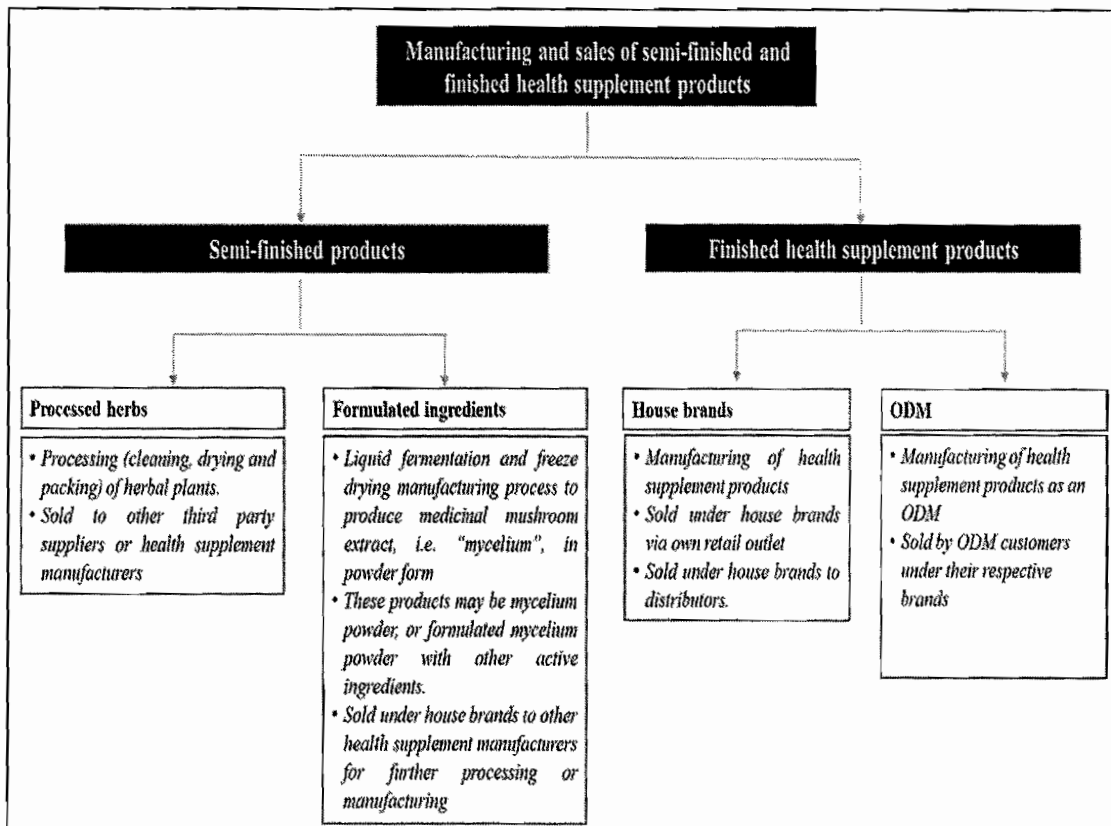
6. BUSINESS OVERVIEW

6.1 PRINCIPAL ACTIVITIES AND PRODUCTS

We are a health supplement company principally involved in the following:

- (i) Manufacturing and sales of finished health supplement products as an ODM;
- (ii) Manufacturing and sales of semi-finished formulated ingredients under our house brands;
- (iii) Manufacturing and sales of finished health supplement products under our house brands; and
- (iv) Processing and sales of processed herbs.

We currently have nine (9) semi-finished formulated ingredients, 75 finished functional food products and 48 finished herbal and non-herbal supplement products which are commercially available in the market. Finished herbal and non-herbal supplements must be registered with MOH and awarded with MAL certificates before they are allowed to be commercialised in the market. MAL certificates bear registration numbers for products which have been approved by the DCA for sale or use in Malaysia, based on safety evaluation tests. This requirement is not necessary for functional food products as these products are considered as food products. All 48 of our finished herbal and non-herbal supplements are registered with MOH and awarded with MAL certificates.



6.1.1 Manufacturing and Sales of Finished Health Supplement Products as an ODM

We are involved in the manufacturing and sales of finished health supplement products as an ODM for our customers, which include other health supplement manufacturers and brand owners, and distribution companies.

Our ODM health supplement manufacturing activities involve undertaking the entire product development process, from product formulation and sourcing of active ingredients, supplies and consumables, to manufacturing and/or product packing.

6. BUSINESS OVERVIEW (*Cont'd*)

We also assist our customers in registering their product with MOH and obtaining Halal certifications, if required. Our manufacturing processes and equipment used for fermentation of medicinal mushrooms and manufacturing of products have been inspected by JAKIM in the past, and we have not faced any difficulties in obtaining Halal certifications for our products, whenever we were required to by our ODM customers.

Our production facilities have the capacity to pack our customers' products in various packaging forms, depending on product suitability and customers' requirements. Our product packaging forms include sachet, teabag, capsule, tablet and bottle forms.

Currently, 39 herbal and non-herbal supplements and 39 functional food products, which have been developed by us for our ODM customers, are commercially available in the market.

6.1.2 Manufacturing and Sales of Semi-Finished Formulated Ingredients under Our House Brands

We are involved in the manufacturing and sales of semi-finished formulated ingredients under our house brands. Our formulated ingredients are typically sold to other health supplement manufacturers and distributors as active ingredients to be further processed and manufactured into finished health supplement products.

The semi-finished formulated ingredients which we manufacture and sell are herbal based formulated ingredients. As at the LPD, we manufacture formulated ingredients from medicinal mushrooms, tongkat ali, misai kucing and roselle.

In order to manufacture medicinal mushroom based formulated ingredients, we utilise our proprietary liquid fermentation technology for fermentation of medicinal mushrooms to ensure proper growth of the strains and development of active compounds in the strains, as well as spray drying technology for the dehydration of the mycelium in its solid form (yield) into powder form.

We currently have in store strains that have been isolated from six (6) types of medicinal mushrooms, i.e. *C. sinensis*, *L. rhinocerus*, *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*. As at the LPD, we have commercialised semi-finished formulated ingredient products from *C. sinensis* for our customers, whilst the fermentation processes for and/or formulations from other medicinal mushroom types are ongoing.

We also extract active ingredients to produce semi-finished formulated ingredients from other herbs, namely tongkat ali, misai kucing and roselle. The extracted active ingredients will then be dehydrated into powder form using spray drying technology.

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6. BUSINESS OVERVIEW (Cont'd)

Below is a list of formulated ingredients which have been commercialised and sold under our house brands as at the LPD:

Product Type	Description	Product Name
<u>Medicinal mushroom based semi-finished formulated ingredients</u>		
Mycelium powder	Medicinal mushroom extract	Cordyceps Powder
Formulated mycelium powder	Formulated medicinal mushroom extract with other active ingredients	Cordy-collagen 1 Powder Cordy-collagen 2 Powder Cordy-HA 1 Powder Cordy-Mix 1 Powder Cordy Multi-Mushroom
<u>Other herb based semi-finished formulated ingredients</u>		
Tongkat ali extract	Tongkat ali extract in powder form	Tongkat Ali Ex
Misai kucing extract	Misai kucing extract in powder form	Misai Kucing Ex
Roselle extract	Roselle extract in powder form	Roselle Ex

6.1.3 Manufacturing and Sales of Finished Health Supplement Products under Our House Brands

We are involved in the manufacturing and sales of finished health supplement products under our house brands. Our house brands are sold either through third party retail pharmacies and other food and health retail outlets directly or *vide* distributors, or through our 'Lifesprings' retail outlet.

We have six (6) house brands i.e. Bexlim[®], Nushine, Bioapotec[®], Alphanex, Apotec and Bioa. Out of these six (6) house brands, we have two (2) registered trademarks (i.e. Bexlim[®] and Bioapotec[®]).

Our finished house brand herbal and non-herbal supplement products offer a variety of health benefits, including for general health maintenance, improving blood circulation, enhancing vitality, relief of cough and sore throat, and general well-being for women. Our finished house brand herbal and non-herbal supplement products are as listed below:

Brand/Product Name	MAL Registration No.	Brand/Product Name	MAL Registration No.
<u>Alphanex products</u>		<u>Apotec products</u>	
Cordy Ginkgo Plus	MAL11050007T	B-Spirulina	MAL10011919T
Cordy Wolfberry Plus	MAL09103006T	Immu Activ-Plus	MAL11035023T
Cordyceps B-Care Plus	MAL10120074T	Total Woman Forte	MAL11035006T
Bio Ligno	MAL12105001T	Cordyceps Immu-Plus	MAL10120087T
B-Ligno Complex	MAL12105053T		

6. BUSINESS OVERVIEW (Cont'd)

Our functional food products are fortified food products with nutrients from herbal and non-herbal active ingredients such as apple cider, oat, dragon fruit and medicinal mushrooms. Our functional food products are as listed below:

Brand/Product Name	Brand/Product Name
<u>Apotec products</u>	<u>Bioapotec® products</u>
Dragon Fruit Tea	Malaysia Herbal Treasure (Tea Box)
Apple Cider with Honey	Herbal Tea – Gusset bag (Tongkat Ali)
Rooibos Tea	Herbal Tea – Gusset bag (Kacip Fatimah)
BG Oat	Herbal Tea – Gusset bag (Misai Kucing)
Collagen 5500	Herbal Tea – Gusset bag (Hempedu Bumi)
S-Green Food	Herbal Tea – Gusset bag (Roselle)
Chlorophyll	Tongkat Ali Coffee
Nutri Mushy Soup <i>(formerly known as Vegetable Soup Bag Mix with 3 Medicinal Mushroom)</i>	Tongkat Ali Teh Tarik
<u>Bexlim® products</u>	Kacip Fatimah Coffee
Bexlim® Day & Night	Kacip Fatimah Teh Tarik
Bexlim® Cordyceps Plus	Ling Zhi Coffee
Pearl Collagen	Cordyceps Coffee
Bexlim® Kunyit tea	Tiger Milk Mushroom Chocolate Drink
Bexlim® De-Glucose tea	Tiger Milk Mushroom Cereal Drink
Bexlim® Dragon Fruit Enzyme Drink	Roselle Whole Flower
Dragon Fruit Tea	
<u>Nushine products</u>	
Nushine Anti Ageing	
Nanollagen	

6.1.4 Processing and Sales of Processed Herbs

We are also involved in the processing and sales of processed herbs to third party suppliers for onward sale to health supplement manufacturers and retailers, or directly to other health supplement manufacturers.

Through the cultivation of herbal plants at our herb farm on Desaru Land, we are able to plant and/or harvest close to twenty (20) species of herbal plants. Our harvested herbal plants undergo processing, i.e. cleaning, drying and packing, to produce herbs in dried herb form. These processed herbs are then used in our manufacturing of finished and semi-finished health supplement products, and any excess processed herbs which are not used in our manufacturing process are sold to customers.

As at the LPD, the herbal plants which we have planted, harvested and processed include turmeric, ginger, kacip fatimah, hempedu bumi, misai kucing, dukung anak and roselle. Our herb processing facility is located at our Semenyih plant.

6. BUSINESS OVERVIEW (Cont'd)**6.2 PRINCIPAL MARKETS**

Our principal markets comprise local and overseas markets including, but not limited to, Indonesia and Australia. Our revenue breakdown by our principal markets for the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2014 are as follows:

Country	FYE 31 December						FPE 30	
	2011		2012		2013		September 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	10,289	70.71	10,803	56.51	16,194	65.91	8,897	47.41
Indonesia	4,041	27.77	6,313	33.02	7,243	29.48	7,625	40.63
Australia	-	-	1,891	9.89	955 ^	3.89	2,100	11.19
Others *	220	1.52	110	0.58	178	0.72	143	0.77
Total	14,550	100.00	19,117	100.00	24,570	100.00	18,765	100.00

Notes:

* Includes Cambodia and Hong Kong.

^ The decline in sales to Australia in FYE 2013 was mainly due to slower sales for our new house brand product, Nushine Nanollagen, which was introduced in FYE 2012, during which the distributor made a bulk purchase. However, sales to Australia increased by 118.17% to RM2.1 million for the FPE 30 September 2014 as compared to RM0.96 million in the preceding financial period mainly as a result of promotional activities carried out by the distributor to increase acceptance of Nushine Nanollagen.

6.3 PRODUCTION FACILITIES

Our manufacturing activities are undertaken in both of our Bangi and Semenyih plants, which are recognised as GMP compliant by MOH. Our liquid fermentation facility is located at our Bangi plant. Our Bangi plant is also equipped with five (5) production lines catering to the product packaging forms of sachet (liquid and powder), teabag, capsule, tablet and bottle (liquid), as well as a R&D laboratory. We also currently operate three (3) production lines at our Semenyih plant to cater for three (3) different product packaging forms, i.e. sachet (liquid and powder), tablet and teabag.

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6. BUSINESS OVERVIEW (Cont'd)

Our material equipment for our manufacturing operations together with the respective manufacturing capacity, production output and utilisation rates for FPE 30 September 2014 for our Semenylth and Bangi plants are as follows:

Equipment	Description	Actual Production Output unit	Manufacturing Capacity unit	Utilisation Rate %	Carrying Amount as at 30 September 2014 RM'000
Bioreactor (fermentation)	Apparatus involved in the liquid fermentation of medicinal mushrooms	3,415	6,825 ⁽¹⁾	50.04	4,034
Sachet (liquid and powder)	Machinery involved in measuring, sieving, separating, filtering and filling of liquid and powdered mixes into sachets	4,345,789	6,739,200 ⁽²⁾	64.49	547
Bottle (liquid)	Machinery involved in the filling and capping of bottles	515,291	1,123,200 ⁽²⁾	45.88	279
Encapsulation (bottle and blister pack)	Machinery involved in the filling, counting and blister packing capsules	3,393,820	23,587,200 ⁽²⁾	14.39 ⁽³⁾	410
Teabag	Machinery involved in manufacturing products in teabag packaging forms	662,370	5,616,000 ⁽²⁾	11.79 ⁽³⁾	21
Tablet	Machinery involved in tableting, tablet hardness testing and tablet pressing	5,617,590	12,729,600 ⁽²⁾⁽⁴⁾	44.13	71
GMP infrastructure	Infrastructure required to be a GMP compliant factory such as a reverse osmosis water system, dehumidifier machines, ribbon mixer, incubator and others	₹ ⁽⁵⁾	₹ ⁽⁵⁾	₹ ⁽⁵⁾	659
Total					6,021

Notes:

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

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

6. BUSINESS OVERVIEW (Cont'd)

- (3) *The lower or nil utilisation rate was due to demand for these product packaging forms mainly occurring in the fourth quarter of the year. This is mainly due to seasonality of demand for our products which peak in the fourth quarter of the year mainly in conjunction with our customers' year end and festive promotional activities as well as our requirement for our customers to order a minimum quantity, whereby our customers will keep stock until their inventory level is low which is generally in the second or third quarter of the year.*
- (4) *Includes one (1) additional production line for tablet packaging form which commenced operations in July 2014.*
- (5) *Not applicable as the GMP infrastructure is ancillary to our manufacturing operations.*

We had doubled our production capacity for our sachet (liquid and powder) and teabag product packaging forms when we commenced operations of our Bangi plant in end 2013. In addition, we had also doubled our production capacity for tablet packaging form when we commenced operations of an additional line in July 2014. This increase in production capacity was carried out amongst others, to meet our future growth. Thus, our capacity utilisation is expected to increase in line with this anticipated growth.

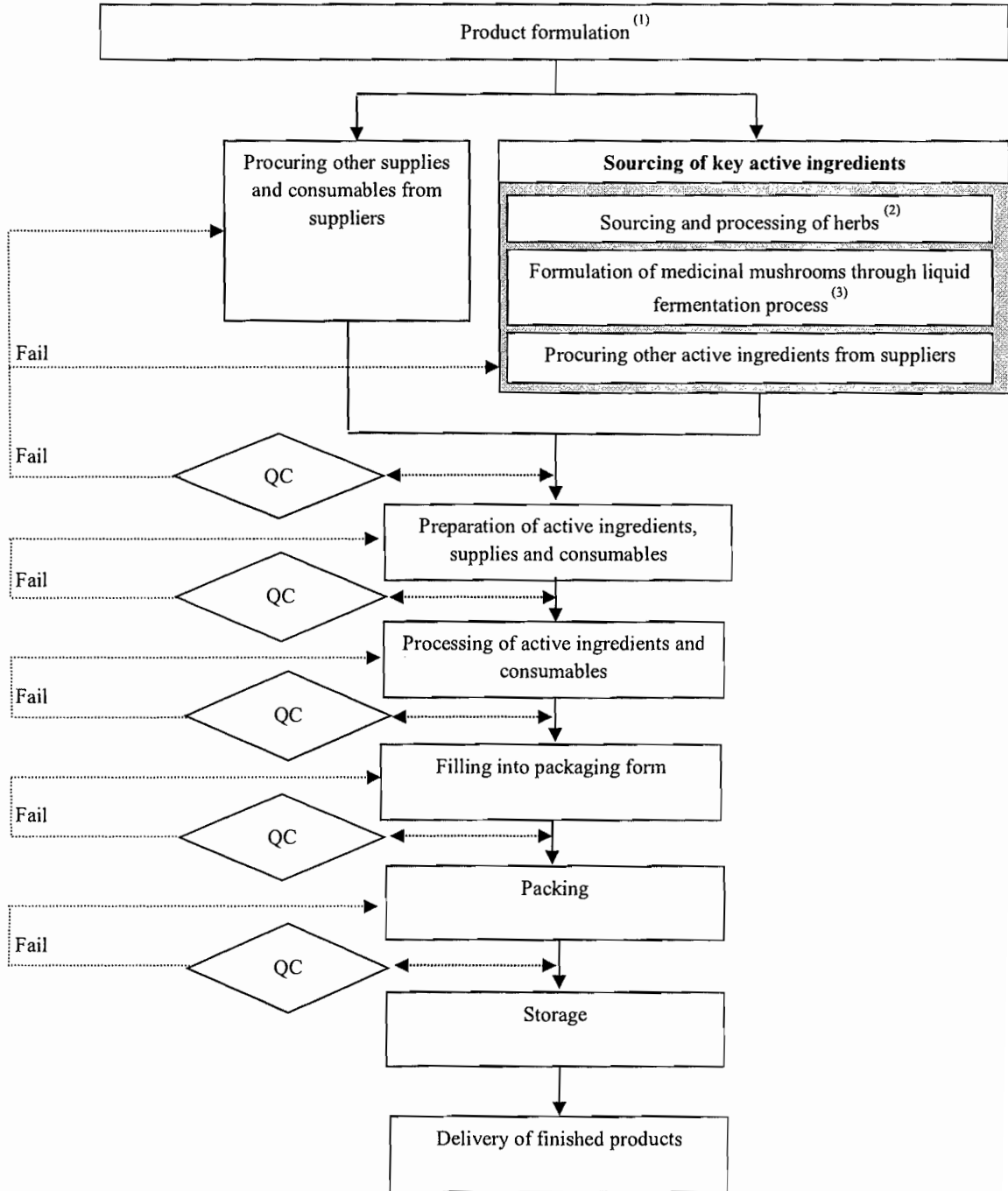
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6. BUSINESS OVERVIEW (Cont'd)

6.4 PRODUCTION PROCESSES

6.4.1 Finished Health Supplement Product Manufacturing

Our finished product manufacturing process is as illustrated below:



6. BUSINESS OVERVIEW (*Cont'd*)

Notes:

- (1) *Not applicable for OEM manufacturing processes which do not require product formulation.*
- (2) *Not applicable for products which do not utilise herbal plants as active ingredients.*
- (3) *Not applicable for products which do not utilise medicinal mushrooms as active ingredients.*

Product formulation

Prior to commercialisation and manufacturing of our finished health supplement products, we will first develop the product formulation. Please refer to Section 6.4.2 of this Prospectus for further illustration of the product formulation process.

Sourcing of key active ingredients

Our key active ingredients are the main active compounds utilised in manufacturing our products. Once the product formulation has been developed, we will then source the required active ingredients from one of the below three (3) sources:

(i) Sourcing and processing of herbs

We source herbs from our herb farms should the manufacturing process require any of the herbal plants which we cultivate. Our herbal plants undergo processing (i.e. cleaning, drying and packing) at our Semenyih plant before its active ingredients are extracted and dehydrated into powder form. Please refer to Section 6.4.3 of this Prospectus for further illustration of the herbs processing process.

(ii) Formulation of medicinal mushrooms through liquid fermentation process

For our *C. sinensis* medicinal mushroom based products, we will undertake our liquid fermentation process to produce medicinal mushrooms which will be utilised in our manufacturing process. Please refer to Section 6.4.4 of this Prospectus for further illustration of the liquid fermentation process.

(iii) Procuring other active ingredients from suppliers

We also procure and source other active ingredients which we do not cultivate or manufacture such as fish collagen, silk peptide and hyaluronic acid from a pool of local suppliers.

Our QC team will perform tests on samples of these active ingredients to ensure that they are suitable to be used in our manufacturing process. (Please refer to Section 6.7 of this Prospectus for further details on QC tests carried out on in-coming raw materials). Apart from that, our QC team will also ensure that the active ingredients sourced have no traces of heavy metal and are not contaminated through ensuring that the MSDS which accompany the active ingredients certifies that the active ingredients are within safety requirements. Should we find the active ingredients to be unsuitable, we will not utilise these active ingredients in our manufacturing process.

This stage will not be applicable for our OEM customers who provide active ingredients to us for contract manufacturing.

6. BUSINESS OVERVIEW (Cont'd)

Procuring of other supplies and consumables from suppliers

Our production team will also procure other supplies and consumables required in the product manufacturing and packaging. These include, but are not limited to, consumables such as coffee extract powder, black tea and isomalto-oligosaccharide, as well as packaging supplies such as Halal capsules and Polyethylene Terephthalate (PET) bottles. Our QC team will ensure that the supplies and consumables procured are suitable to be used in our manufacturing process, through performing tests on samples of these supplies and consumables. (Please refer to Section 6.7 of this Prospectus for further details on QC tests carried out on in-coming raw materials). Our QC team will ensure that a COA is produced detailing the results of tests performed on the supplies and consumables in order to ensure the supplies and consumables are within safety requirements. Supplies and consumables which fail any of the QC tests and checks will not be utilised in our manufacturing process.

Preparation of active ingredients, supplies and consumables

Once all active ingredients, supplies and consumables have been sourced, they are prepared for processing according to the product formulation specifications. QC is performed on a sampling basis to ensure that the exact quantities have been prepared according to the product formulation specifications.

Processing of active ingredients and consumables

The active ingredients and consumables will then be loaded into a mixer and processed as per the preparation form specifications until it becomes a homogenous compound. Our preparation form specifications provides detailed factors such as the processing time and speed as well as GMP standard factors, including hygiene control, humidity control and temperature control. This process is supervised by our QC team, and sample tests are also performed on each batch such as moisture and pH analysis of the compound. The production batches are reworked, if necessary, until they pass the QC tests.

Filling into packaging form

The homogenous compounds are packaged into various packaging forms, i.e. sachet, teabag, capsule, tablet and bottle in accordance with the required specifications. After this process, our QC team will also perform tests on samples of the finished products to ensure the packaging forms comply with the required specifications. Batches which do not comply will be reworked. (Please refer to Section 6.7 of this Prospectus for further details on QC tests carried out on in-process QC tests).

Packing

After the packaging process is completed, the processed products are placed in the bulk intermediate room, which is a buffer area to reduce risk of contamination, before undergoing packing. The processed products are then packed into their final packing forms, i.e. blister packs, bottles and boxes, in accordance with the desired specifications. Our QC team will examine samples of the finished products before being stored in our warehouse, and should any of these products fail the QC test, they will be sent for re-packing. (Please refer to Section 6.7 of this Prospectus for further details on QC tests carried out on final product testing)

Storage

All finished products are placed in our designated storage area prior to outbound delivery.

Delivery of finished products

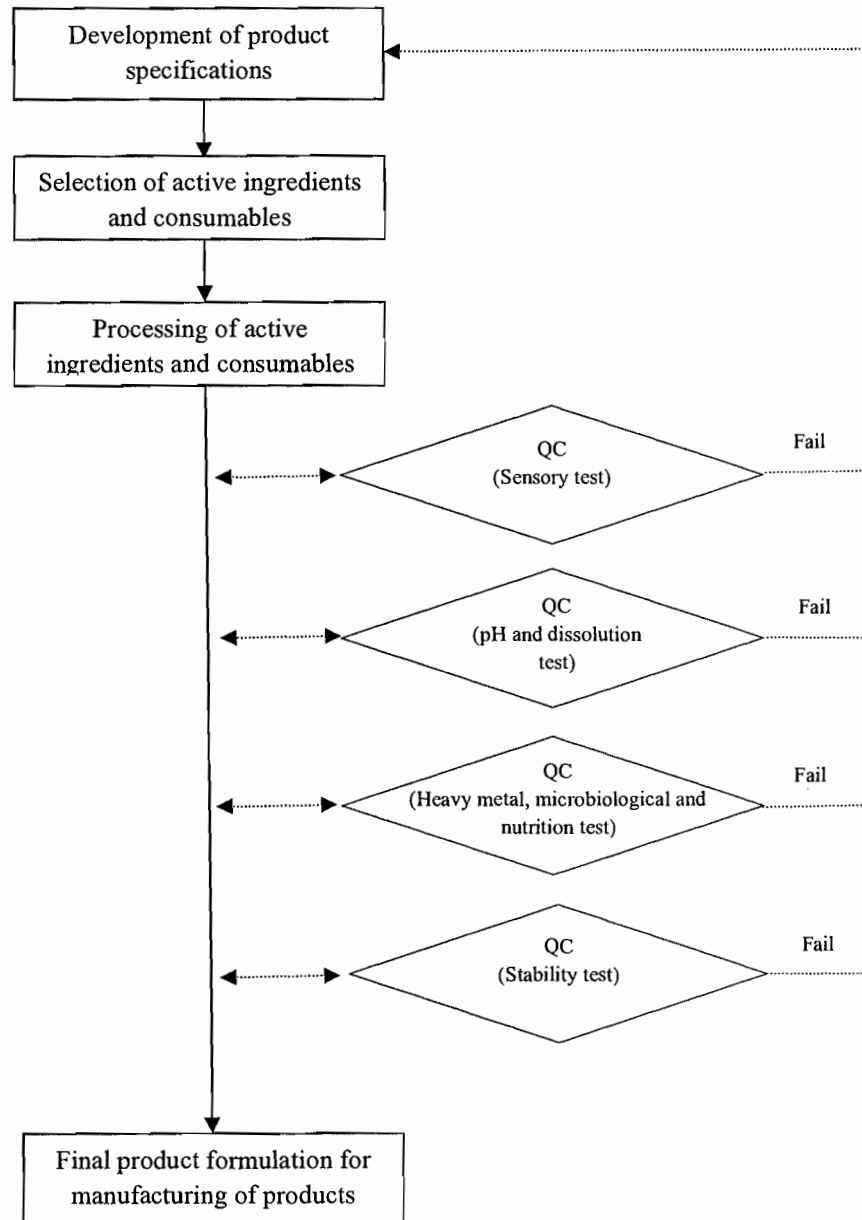
Our finished products will be delivered to our own "LifeSprings" retail outlet, or to third party retail pharmacies, distributors or ODM/OEM customers as required.

6. BUSINESS OVERVIEW (Cont'd)

6.4.2 Product Formulation Process

Our product formulation process, which is part of our R&D process, is a vital step for the manufacturing of our products as it ascertains the type and amount of active ingredients required as well as the suitable processing process.

Our product formulation process involves the following:



Development of product specifications

Our product formulations are both customer-driven and market-driven. Our customer-driven formulations are developed in accordance to specific customers' requirements on health functions and other attributes (e.g. appearance, taste, scent, etc.). On the other hand, our market-driven formulations are a result of our R&D team's research and knowledge on the potential of certain active ingredients and market knowledge on current trends and market demands.

6. BUSINESS OVERVIEW (Cont'd)

Selection of active ingredients and consumables

Based on the product requirements, our R&D team will select the relevant active ingredients and consumables. Active ingredients will undergo an active compound analysis to determine the active compounds present. Active ingredients and consumables obtained from suppliers require a MSDS or COA detailing the results of tests conducted, and these test reports are inspected to ensure that the active ingredients and consumables do not have any traces of heavy metal and are not contaminated. In addition, active ingredients and consumables will undergo our internal QC tests to ensure that they meet all our quality and safety requirements in accordance with GMP guidelines. Any of these materials found to be not within our safety requirements will not be utilised in our product formulation process.

Processing of active ingredients and consumables

The key active ingredients and consumables will be placed into a mixer for processing under a controlled environment until the mixture becomes a homogeneous compound. Once the mixture becomes a homogenous compound, samples of the mixture will undergo the following QC tests:

- Sensory test: Product formulations will undergo four (4) sensory tests, which comprises odour, sight, taste and touch;
- pH and dissolution test: All product formulations will undergo a QC test to ensure that it is at a pH suitable for consumption as well as high absorption rate.
- Heavy metal, microbiology and nutrition tests: All product formulations will go through QC tests for heavy metals, microbiology and nutrition content.
- Stability test: All product formulations will be tested for stability once the mixture becomes a homogenous compound.

Please refer to Section 6.7 of this Prospectus for further details on the above QC tests.

These QC tests ensure that we achieve the optimal function and efficacy of the product as well as to obtain accurate biological reactions from the active ingredients and consumables. Thus, the entire formulation process will be repeated until the homogenous compound passes all the QC tests and meets the required product specifications.

Final product formulation for manufacturing of products

The final product formulation developed will be used by our production team to manufacture our semi-finished and finished health supplement products.

This process is not applicable for OEM manufacturing processes as the product formulations are developed by the OEM customers themselves.

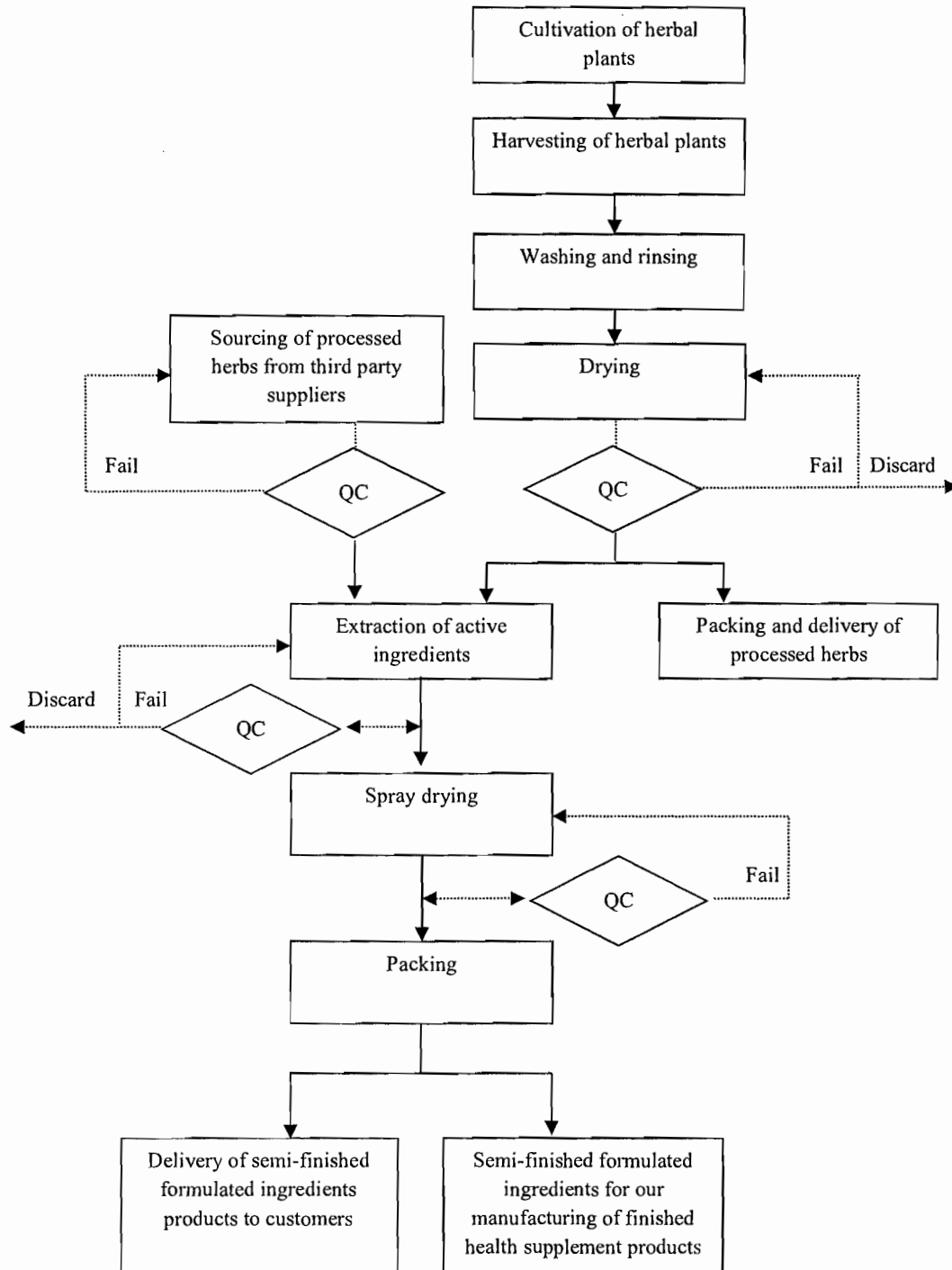
6. BUSINESS OVERVIEW (Cont'd)

6.4.3 Herbs Processing Process

We currently cultivate herbal plants such as turmeric, ginger, kacip fatimah, hempedu bumi, misai kucing, dukung anak and roselle in our herb farm on Desaru Land.

We also source processed herbs from third party suppliers for herbs which we do not cultivate or those where our harvest is unable to cater for customers' demands, in order to manufacture our semi-finished formulated ingredients.

The processing of herbs involves the following:



6. BUSINESS OVERVIEW (Cont'd)

Cultivation of herbal plants

Our cultivation begins in nurseries located at our herb farm, where we raise the seedlings before planting in the farm. We practice inter-cropping by planting coconut trees to provide our herbal plants with the necessary shade and protection in order to produce high yields, as herbal plants thrive under shaded or covered conditions. In addition, our herbal plants are organically grown.

Harvesting of herbal plants

Different herbal plants have different maturity periods. As we cultivate a variety of different herbal plants, we harvest at different times of the year. We harvest our herbal plants only when they reach maturity. After harvesting, the herbs are sent for primary processing; i.e. washing and rinsing, drying and packing.

Washing and rinsing

The harvested herbs are cleaned by using water to remove the soil and dirt on the herbs.

Drying

The cleaned herbs are then sent to our Semenyih plant to undergo an oven drying process. After this stage, QC tests are conducted to ascertain amongst others, the content of active compounds within the processed herbs, as well as to ensure that there are no traces of heavy metals or contaminants. Herbs found with traces of heavy metals or contaminants will be discarded. Herbs which do not have any traces of heavy metals or contaminants but do not pass all other QC tests will be re-processed.

Packing and delivery of processed herbs

The processed herbs are then packed into bags for further processing into formulated ingredients as well as for delivery to our customers, who are typically distributors or herbal supplement manufacturing.

Extraction of active ingredients

We manufacture formulated ingredients from processed herbs from our farms or third party suppliers at our Semenyih plant. These processed herbs will be placed in an extraction machine to isolate the herbal active ingredients from the processed herbs. The active ingredients obtained from the extraction machine are in liquid form and contain active compounds i.e. biological components that have certain therapeutic properties to meet our product requirements.

Before extracting active ingredients from processed herbs supplied by third party suppliers, we will inspect the herbs to ascertain amongst others, the content of active compounds within the processed herbs, as well as to ensure that there are no traces of heavy metals or bacteria.

Spray drying

Once the active ingredients are extracted, they are transferred to a spray dryer which dehydrates it and produces the ingredients in powder form. After spray drying, we perform sample QC tests to ascertain that the spray drying process has been appropriately performed.

Packing

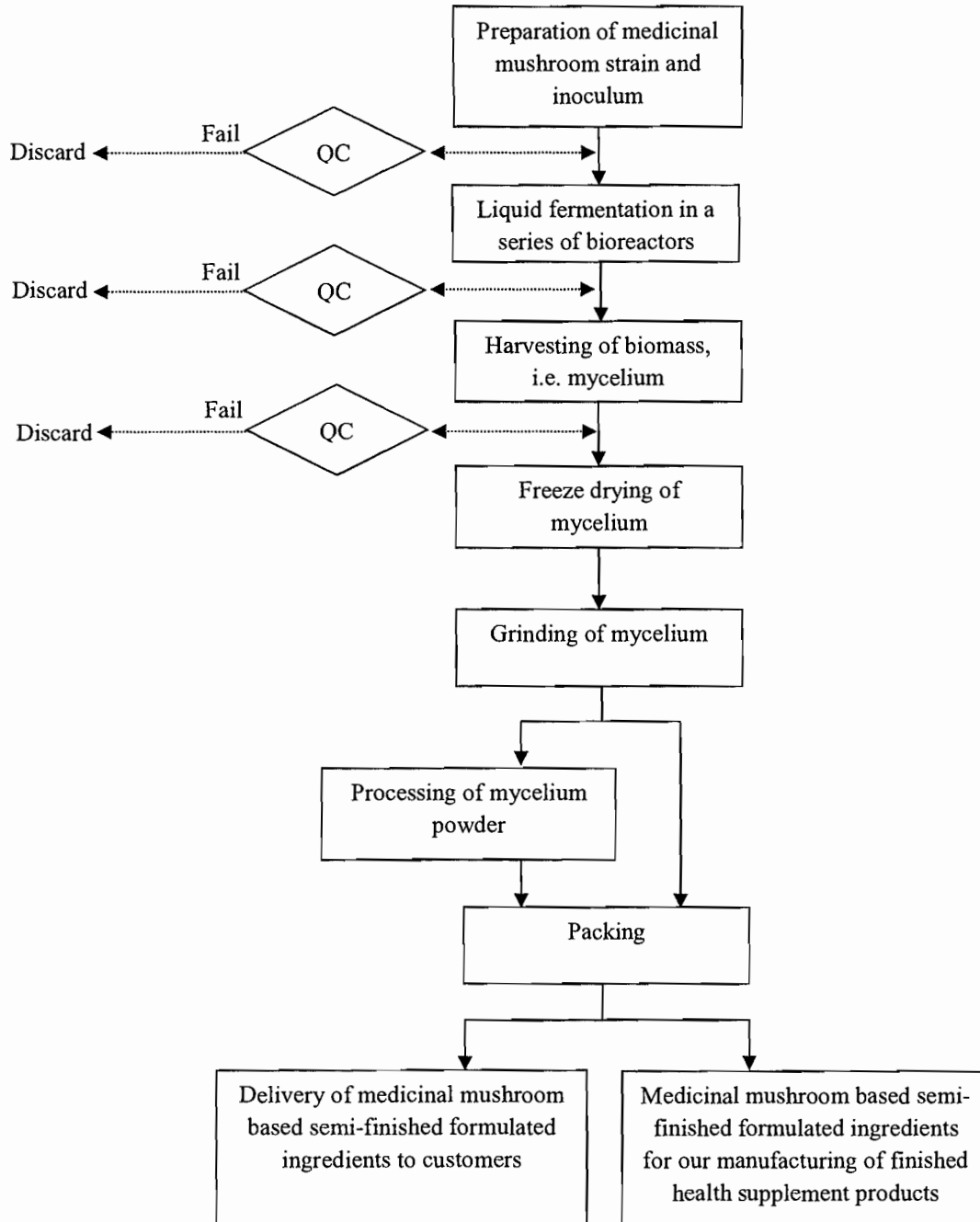
The resultant semi-finished formulated ingredients are then packed into food-grade aluminium containers before being delivered to our customers, or stored for use in our finished product manufacturing process.

6. BUSINESS OVERVIEW (Cont'd)

6.4.4 Liquid Fermentation Process

Our liquid fermentation process is a proprietary process. We have filed applications for patents for our liquid fermentation process with MyIPO and with the Taiwan Intellectual Property Office in 2012 and are awaiting the results of both applications as at the LPD.

The liquid fermentation process involves the following:



6. BUSINESS OVERVIEW (Cont'd)

Preparation of medicinal mushroom strain and inoculum

At this stage, we will retrieve the medicinal mushroom strains from an incubator in our laboratory to undergo the activation process. This results in strain propagation, which is the process of cultivating and multiplying the medicinal mushroom strains into a larger population. During this process, the medicinal mushroom strains are monitored and checked for purity, as well as to ensure that they are growing at the appropriate rate. QC tests will be performed on a sample of the strains before this process to ensure the absence of contamination, and also after this process to determine if the inoculum is in good condition. Should any of these QC tests fail, the strain or inoculum is discarded and this process is repeated with a new strain. (Please refer to Section 6.7 of this Prospectus for further details on the QC tests). Following the propagation process, the inoculum is produced.

Liquid fermentation in a series of bioreactors

Before the liquid fermentation process begins, soft water i.e. water that is free from dissolved salts such as calcium, iron magnesium, etc. is processed, filtered and channelled into the bioreactors.

The inoculum is then placed in the bioreactors together with the necessary medium to execute the fermentation at the appropriate lighting and temperature. Following the fermentation, the inoculum would have reached its growth stage with the desired level and combination of active compounds produced. During the fermentation process, the inoculum is monitored and inspected by our QC team to ensure that it is growing at the expected rate and samples are tested to ascertain its level of active compounds produced. After the fermentation process, our QC team will also perform tests on samples to ensure the absence of contamination. (Please refer to Section 6.7 of this Prospectus for further details on the QC tests). Should there be any contamination, the entire batch is discarded and the inoculum is once again prepared.

Harvesting of biomass

The biomass developed, comprising of mycelium (which is the vegetative part of the medicinal mushroom containing the active compounds), in the bioreactors are then filtered down to the press filter, where the latter would undergo liquid-solid separation to obtain the yield.

Freeze drying of mycelium

Following the liquid-solid separation process, the yield is transferred to a freeze dryer, which produces the yield in cake form. After this process, a sample yield will undergo QC tests to ensure amongst others, that there are no traces of heavy metals or bacteria (Please refer to Section 6.7 of this Prospectus for further details on the QC tests). The entire production batch will be discarded if it does not pass these QC tests.

Grinding of mycelium

The yield in cake form is further processed, by grinding, into powder form. The processed mycelium can either be packed and sold to our customers or further processed with other active ingredients.

Processing of mycelium powder

We further process part of the mycelium powder with other active ingredients, in accordance with our proprietary product formulation, for additional health benefits to meet customers' or market requirements.

Packing

The resultant medicinal mushroom based semi-finished formulated ingredients are then packed into food-grade aluminium containers before being delivered to our customers, or stored for use in our finished product manufacturing process.

6. BUSINESS OVERVIEW (Cont'd)

6.5 RESEARCH AND DEVELOPMENT

We believe that R&D is an important factor towards maintaining sustainable business growth, improvements in earnings, maintaining competitiveness and expansion of our markets. Thus, we have in place a R&D team of six (6) personnel comprising a registered chemist, a registered pharmacist, a professionally qualified food technologist and nutritionists.

We have also established a SAB since December 2011 to provide advice and guidance on our R&D activities, with our SAB members sharing their experience, expertise and knowledge in their respective fields with our R&D team. Our SAB members are tasked to:

- (i) advise and comment on issues relating to our R&D activities ;
- (ii) provide expert opinion and advice to our R&D team; and
- (iii) meet with other SAB members and/or our R&D team as and when required to discuss issues relating to our R&D activities.

Our SAB also serve as a sounding board to our Board to assist in the development and strategies of our R&D activities.

Our SAB members mainly comprise of experts known to us, whose areas of expertise are relevant to our R&D activities, as well as our research partners. To mitigate any potential conflict of interest as a result of their participation in our SAB, the respective research partners are required to abstain from deliberating on the assessment of their R&D activities during the SAB meetings.

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6. BUSINESS OVERVIEW (Cont'd)

As at the LPD, our SAB members, their assigned committees and our R&D activities are as follows:

Committee	R&D Activities	SAB Member	Nationality	SAB Designation	Date of Appointment
Product formulation and manufacturing process	<p>The development of health supplement products and formulated ingredients are customer-driven and market-driven, whereby the former is based on requests from our customers to develop product formulations with certain health functions and other attributes, while the latter refers to development of product formulations based on market demands and trends.</p> <p>This R&D initiative is guided by our R&D policy as outlined below:</p> <ul style="list-style-type: none"> • Develop new product formulations which comply with QC in terms of safety, hygiene and effectiveness of the products; • Conduct research on active ingredients in terms of safety and functions to find out their potential benefits and the possibility of them being utilised in the process of formulation development and output production; • Create a suitable, effective and safe formulation according to the desired and expected results; • Provide a thorough and complete processing of all active ingredients in order to ensure the homogeneity and equal quality of finished products are achieved; • Ensure that the finished products produced are in accordance with the specification set and meet the standard requirements; • Improve the measurement and evaluation of the range of sensory attributes of the finished products; • Protect finished products from contamination and increase shelf life of the finished products; and • Test the effectiveness of the finished products and gather information for product function improvement. 	<p>Dr Nik Ismail Bin Nik Daud</p> <p>Tan Sri Dr Syed Jalaludin</p> <p>Dr Manaf Bin Mohamad Radzi</p>	<p>Malaysian</p> <p>Malaysian</p> <p>Malaysian</p>	<p>Chairman</p> <p>Member</p> <p>Member</p>	<p>24.02.2012</p> <p>01.08.2014</p> <p>24.02.2012</p>

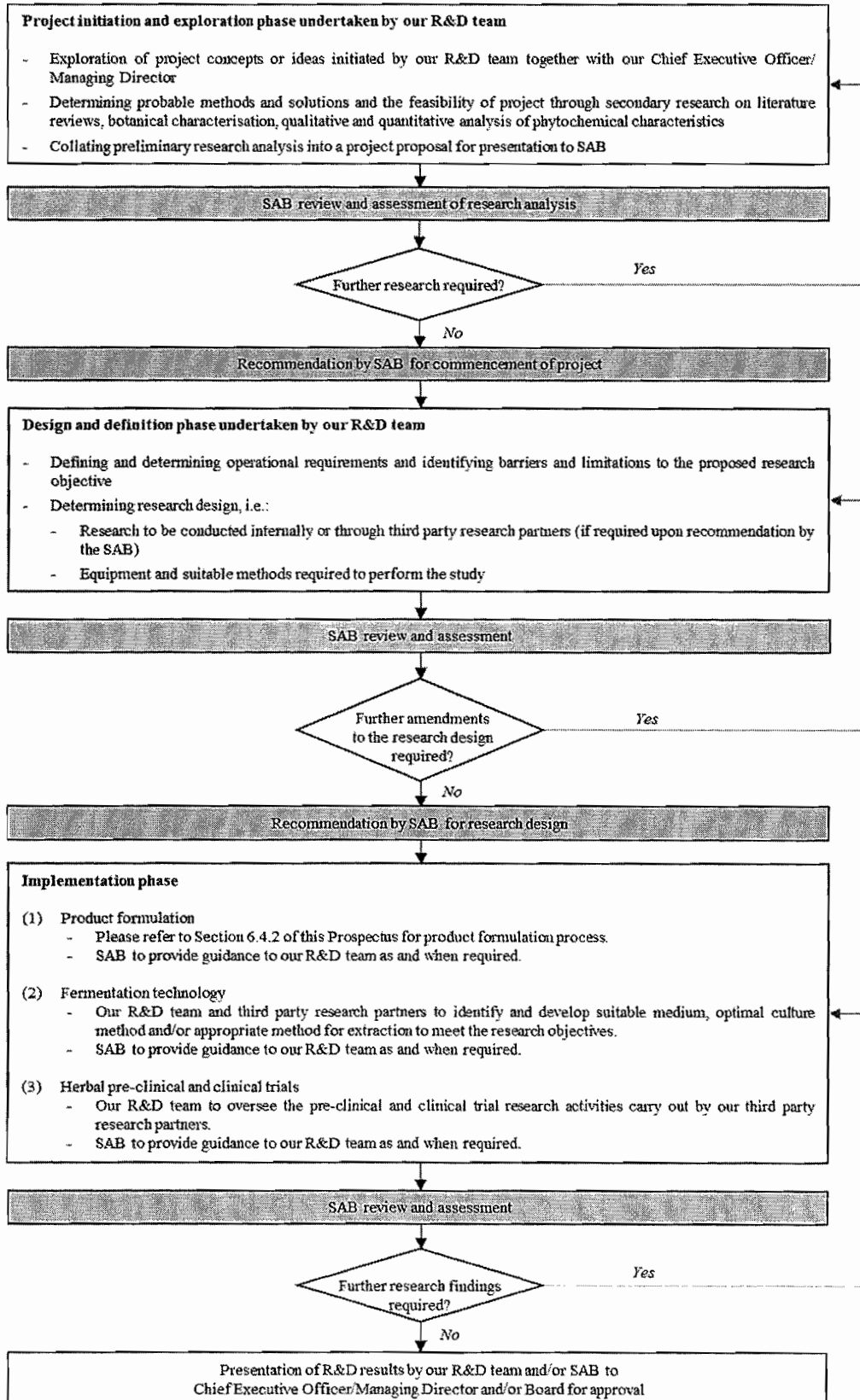
6. BUSINESS OVERVIEW (*Cont'd*)

Committee	R&D Activities	SAB Member	Nationality	SAB Designation	Date of Appointment
Product formulation and manufacturing process (<i>Cont'd</i>)	We have currently, through this R&D initiative, commercialised nine (9) semi-finished formulated ingredients, 75 finished functional food products and 48 finished herbal and non-herbal supplement products.				
Herbal pre-clinical and clinical trials	Undertaking of pre-clinical and clinical studies on two (2) "High-value herbal products" for diabetes and hormone replacement therapy as part of the NKEA project under the ETP driven by PEMANDU.	Associate Professor Lin Yu-Chin	Taiwanese	Member	01.01.2014
		Associate Professor Dr. Choo Chee Yan	Malaysian	Member	01.01.2014
Fermentation technology	Our continuous improvement of the liquid fermentation process is aimed at discovering new methods to further accelerate the growth of medicinal mushrooms as well as to enhance the production of active compounds. The optimisation of our liquid fermentation process involves the following: <ul style="list-style-type: none"> • Experimentation with different types of mediums to facilitate medicinal mushroom strain growth; and • Experimentation with conditions in the bioreactor to promote accelerated growth. As at the LPD, the fermentation technology for two (2) types of medicinal mushrooms, namely <i>C. sinensis</i> and <i>L. rhinocerus</i> , have been developed and we are working closely with a research partner to develop the fermentation processes for four (4) other medicinal mushrooms, namely <i>Grifola frondosa</i> , <i>Lentinula edodes</i> , <i>Cordyceps militaris</i> and <i>Ganoderma lucidum</i> .	Ding Chun Hua	Chinese	Member	24.02.2012

Please refer to Section 8.4.4 of this Prospectus for our SAB members' profiles.

6. BUSINESS OVERVIEW (Cont'd)

Our SAB members regularly communicate with our R&D team. Over the last year, all three (3) committees under our SAB held a total of more than 20 meetings with our R&D team to discuss R&D developments under their respective areas. The process flow for our R&D activities involving both our R&D team and SAB is as follows:



6. BUSINESS OVERVIEW (Cont'd)

Further details of the R&D activities which we are currently undertaking / will be undertaking are as follows:

R&D Description	Commencement	Expected Completion	In-house R&D Activities	External R&D Partner	External R&D Activities
"High-value herbal product" for diabetes	2012	2015	<ul style="list-style-type: none"> Product formulation is fully-developed by our in-house R&D team. Project management on pre-clinical study. Communication with MOA on the progress of the study. Review of final report from pre-clinical study; if pre-clinical study is successful, we will proceed to clinical study which is a prerequisite for the product to be registered as a botanical drug. 	Essence Herbs Life Science Corporation ⁽¹⁾	<ul style="list-style-type: none"> Preparatory phase, which includes secondary research on literature reviews, botanical characterisation, qualitative and quantitative analysis of phytochemical characteristics, extraction process optimisation, analytical procedures and methods validation, as well as stability tests. Pre-clinical study, which includes analysis on the product's effect; dosage and administration tests; toxicity studies for single dose, repeated dose, genotoxicity and reproductive toxicology; as well as safety and pharmacology studies. There are two (2) phases of this study, i.e. pre-clinical study on mice and rats, and pre-clinical study performed on larger animals in Good Laboratory Practices ("GLP") compliant laboratory.

6. BUSINESS OVERVIEW (Cont'd)

R&D Description	Commencement	Expected Completion	In-house R&D Activities	External R&D Partner	External R&D Activities
"High-value herbal product" to be used as hormone replacement therapy	2012	2015	<ul style="list-style-type: none"> Product formulation is fully-developed by our in-house R&D team. Project management of pre-clinical study. Communication with MOA on the progress of the study. Review of final report from pre-clinical study; if pre-clinical study is successful, we will proceed to clinical study which is a prerequisite for the product to be registered as a botanical drug. 	UiTM ⁽²⁾	<ul style="list-style-type: none"> Preparatory phase, which includes secondary research on literature reviews, botanical characterisation, qualitative and quantitative analysis of phytochemical characteristics, extraction process optimisation, analytical procedures and methods validation, as well as stability tests. Pre-clinical study on mice and rats in a laboratory. Pre-clinical study on larger animals in a GLP-compliant laboratory.
Development of natural polysaccharide based products with energy restoration and immune system benefits	2013	2015	<ul style="list-style-type: none"> Undertaking active compound analysis to determine the content of polysaccharide. Development of new product formulation using polysaccharide as a key active compound. 	-	-
Development of new <i>C. sinensis</i> based product formulations	2014	2015	Development of six (6) new product formulations using <i>C. sinensis</i> as a key active compound.	-	-

6. BUSINESS OVERVIEW (Cont'd)

R&D Description	Commencement	Expected Completion	In-house R&D Activities	External R&D Partner	External R&D Activities
Development of the optimal fermentation process and appropriate active ingredient extraction method for <i>Grifola frondosa</i> , <i>Lentinula edodes</i> , <i>Cordyceps militaris</i> and <i>Ganoderma lucidum</i>	2015	2016	Project management of the research project	Essence Herbs Life Science Corporation ⁽¹⁾	<ul style="list-style-type: none"> Development of mediums suitable for the fermentation. Development of optimal culture method to achieve high yield while using low dosages of medium. Development of the appropriate method for the extraction of active ingredients in the medicinal mushrooms. Undertaking product analysis to determine if the above methods and processes are viable.

Notes:

- (1) *Essence Herb Life Science Corporation ("EHLSC") was founded by a group of researchers and professors, including Associate Professor Lin Yu-Chin who is currently undertaking, through EHLSC, pre-clinical trial for our health supplement product for the purpose of recognition as a "High-value herbal product" for diabetes at TransWorld University in Taiwan. EHLSC is a Taiwan-based company that is focused on amongst others, research and/or development of new botanical drugs.*
We have not yet enter into an agreement with EHLSC for the development of fermentation processes for our four (4) new medicinal mushrooms and establishment of optimum culture methods for these mushroom strains as this R&D engagement will only commence in 2015. However, the terms of the proposed agreement are expected to be similar with the existing agreement with EHLSC in relation to the pre-clinical trial for "High-value herbal product" for diabetes. Under this existing agreement, the copyright of the documents derived from the R&D engagement is to be owned by EHLSC, whereas patent rights and other intellectual property rights as may be derived from the R&D engagement is to be owned by us. Notwithstanding the above, EHLSC shall not disclose any business and specialised technology or any information which might impair our interests.
- (2) *UiTM is an institution of higher learning in Malaysia. UiTM, through its Faculty of Pharmacy, carries out research analysis on traditional herbs for companies at its R&D facility.*
- (3) *Jai Research Foundation an India-based company, was established in 1977 to provide contract research services for companies in areas such as physical-chemical testing, toxicology and mutagenicity studies and analytical and clinical chemistry testing at its GLP facility, with currently about 120 scientists in various fields such as toxicology, pathology and laboratory animal specialist.*

6. BUSINESS OVERVIEW (Cont'd)

Our R&D activity on two (2) "High-value herbal products" for diabetes and as hormone replacement therapy is pursuant to the NKEA Agricultural Scheme Agreement with the Government dated 6 April 2012 ("NKEA Agreement"), whereby we were appointed and funded as an Anchor Company to undertake pre-clinical and clinical studies on two (2) of our herbal supplement products. The health functions of these two (2) products will be substantiated with the pre-clinical studies. At present, we are in the midst of pre-clinical studies for both projects, which are expected to be completed by end 2015. If the pre-clinical studies are successful, we will be able to submit registrations to the National Pharmaceutical Control Bureau ("NPCB") of MOH for herbal beverages for diabetes and as hormone replacement therapy with 'medium' or 'functional' claims, where the products will be evaluated based on the results of the pre-clinical studies as well as other supporting documentation. Clinical studies on these products will commence thereafter and are expected to take place in 2016-17. If the clinical studies are successful, these products are expected to be registered and commercialised by 2018 as botanical drugs. Please refer to Section 7 of this Prospectus for an illustration of the health claims for health supplement products in Malaysia.

As stipulated in the NKEA Agreement, we own the intellectual property rights for both of these potential botanical drugs. However, the Government may have the rights to use the intellectual property upon consultation with us.

In addition, we also continuously do R&D on new product formulations to expand our product range, whereby we aim to develop thirty (30) new product formulations each year.

Further, we also intend to attain the SAMM accreditation for our laboratory facility in Bangi, which would enable us to perform in-house biological and microbiological testing on samples which would be recognised by the relevant authorities. We plan to commence the upgrading of our laboratory facility in the second quarter of 2015.

To facilitate our R&D activities, we were awarded the following grants as at the LPD:

Grant	Awarding Party	Date of Award	Grant Period	Description	Salient Terms	Grant	Amount	Amount
						RM'000	Utilised as at the LPD	RM'000
						Months		
NKEA Agricultural Scheme	Government	06.04.2012	24*	To carry out of pre-clinical and clinical studies on two (2) "High-value herbal products"	Please refer to Section 6.17(ii) of this Prospectus for the salient terms of the NKEA Agreement.	20,000	5,634	

6. BUSINESS OVERVIEW (Cont'd)

Grant	Awarding Party	Date of Award	Grant Period	Description	Salient Terms	Grant Amount	Amount Utilised as at the LPD
			Months			RM'000	RM'000
CRDF	MTDC	14.06.2013	24	For commercialisation of polysaccharide extracted from Tiger Milk Mushroom	<p>(i) BRSB shall, simultaneously with the execution of the CRDF agreement, procure all of its directors and/or shareholders and/or such other persons as may be identified by MTDC to execute a deed of guarantee and indemnity in favour of MTDC to secure the payment of the grant amount.</p> <p>(ii) BRSB shall not take any of the following actions except with prior written consent by MTDC:</p> <p>(a) Any alteration to the Memorandum & Articles of Association of BRSB which shall be prejudicial to the objective of the CRDF agreement;</p> <p>(b) A resolution for the voluntary winding up of BRSB unless it shall been insolvent or unless otherwise provided for in the CRDF agreement;</p> <p>(c) Any diversification of BRSB's business activities other than in the ordinary course of business;</p> <p>(d) Any change to BRSB's shareholders and their respective shareholding composition within the grant period; and</p>	2,753	2,213

6. BUSINESS OVERVIEW (Cont'd)

Grant	Awarding Party	Date of Award	Grant Period	Description	Salient Terms	Grant Amount	Amount Utilised as at the LPD
			Months			RM'000	RM'000
CRDF (cont'd)					(e) Any departure from the CRDF project or in the application submitted by BRSB to MTDC.		
					(iii) In the event that the CRDF is discontinued by MTDC, the CRDF agreement shall terminate, the balance grant amount not disbursed shall be deemed revoked and the disbursed amount shall become due and payable by BRSB.		
BCF	MBC	26.08.2013	^	To finance the expansion of production facilities and working capital requirement for commercialisation of <i>C. sinensis</i> and its formulated products, product registration, marketing and promotion, spray drying facility and automated liquid filling facility	(i) <u>Special Covenants</u> BRSB shall cause and procure its shareholders to fund any cash shortfall or cost overruns in connection with or arising from the BCF project to be undertaken by BRSB and financed by MBC. (ii) <u>Negative Covenants</u> BRSB covenants with MBC that it shall not without the prior written consent of MBC, if given, may be subject to such conditions as MBC may at its sole discretion deems fit: (a) Add to, delete, vary or amend its Memorandum and Articles of Association or constituent documents in any manner which be inconsistent with the provisions of the BCF agreement;	3,000^	-

6. BUSINESS OVERVIEW (Cont'd)

Grant	Awarding Party	Date of Award	Grant Period	Description	Salient Terms	Grant Amount	Amount Utilised as at the LPD
			Months			RM'000	RM'000
BCF (cont'd)					<p>(b) Sell, transfer lease or otherwise dispose of all or a substantial part of its assets;</p> <p>(c) Reduce or make any alteration to its authorised or issued capital or permit any such act, whether by varying the amount, structure or value thereof; and</p> <p>(d) Permit any change of its controlling shareholder, ownership structure and/or management or in the case of a partnership, society or other unincorporated body, permit any change in their constitution or management.</p>		

Notes:

- * Grant period has been extended to an indefinite term as per a letter from the Government dated 25 February 2014.
- ^ Consist of term loan of up to RM2 million and grant up to RM1 million. Whilst there is no specific tenure for the grant, the term loan is for a period of up to 72 months from the following:
- the date the loan is fully utilised; or
 - 12 months from the date of the Facilities Agreement on 16 July 2014, whichever is earlier.

6. BUSINESS OVERVIEW (Cont'd)

In addition, we have also incurred the following R&D expenditure for the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2014:

Description	FYE 31 December 2011 RM'000	FYE 31 December 2012 RM'000	FYE 31 December 2013 RM'000	FPE 30 September 2014 RM'000
R&D expenditure ⁽¹⁾	296	533	4,755 ⁽²⁾	2,730
% of revenue	2.03	2.79	19.44	14.55

Notes:

(1) Includes R&D staff costs but excludes R&D expenses reimbursable by grants.

(2) R&D expenditure increased significantly in FYE 31 December 2013 mainly due to our R&D on natural polysaccharide based products with energy restoration and immune system benefits, as well as formulation costs incurred in relation to the two (2) "High-value herbal products" under the NKEA Agreement.

6.6 TECHNOLOGY

We utilise our proprietary liquid fermentation technology for the fermentation of medicinal mushrooms. Medicinal mushrooms typically take up to one (1) year to cultivate in its original host environment (in wild form) or approximately forty (40) days via the solid state fermentation method. Our proprietary liquid fermentation technology enables us to shorten the time taken to just five (5) days in a controlled water-based environment and the use of specially formulated mediums to accelerate the growth of medicinal mushrooms.

We presently utilise our proprietary liquid fermentation technology to ferment two (2) types of medicinal mushrooms, namely *C. sinensis* and *L. rhinocerus*, and we are working closely with a research partner to develop fermentation processes for four (4) other medicinal mushrooms, namely *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*.

We have filed patent applications for the liquid fermentation process of *C. sinensis* with MyIPO and the Taiwan Intellectual Office in 2012. MyIPO and the Taiwan Intellectual Office had inspected the supporting documents for our patent applications in September 2013 and March 2014 respectively and we are awaiting the outcome of their decisions as at the LPD. We will similarly file patent applications for the fermentation process of other medicinal mushrooms upon successful completion of the relevant R&D activity.

6.7 QUALITY CONTROL AND ASSURANCE MANAGEMENT

We ensure that our manufacturing processes comply with GMP requirements. To meet these requirements, QC procedures are incorporated within our manufacturing processes to ensure the quality and safety of our products.

We adopt the following approaches at various stages of our sourcing and manufacturing processes to ensure that our quality standards are consistently upheld in accordance with GMP:

(i) Quality objectives

To become a world-class manufacturer and distributor of health supplements through our continual efforts to understand the needs and expectations of our customers and to deliver products and services that meet their requirements.

6. BUSINESS OVERVIEW (Cont'd)**(ii) Quality policy**

To control wastage at no more than 1% of total output and to aim to reduce this wastage level to 0.5%.

(iii) Quality management systems

As part of our continuous commitment to improve the quality of our products, our Semenyih and Bangi plants have been recognised as GMP compliant by MOH, which is a testament to our ability to comply with internationally recognised standards and practices. We have adopted a stringent internal quality management assurance policy to ensure that our products comply with GMP standards as well as meet the specifications and requirements of our customers.

We adhere to the following quality assurance and control procedures:

Quality Objective	Quality Criteria	Description
<u>Manufacturing processes</u>		
In-coming material inspection	<ul style="list-style-type: none"> • Physical appearance • Moisture analysis • pH value test • Brix value 	<ul style="list-style-type: none"> • To determine colour and texture • To predict the behaviour of active ingredients during processing, such as mixing, drying or packaging • To measure the acidity present in active ingredients • To determine sugar content of the compound
In-process quality control	<ul style="list-style-type: none"> • Physical appearance • Moisture analysis • pH value test • Brix value • Disintegration test • Tablet hardness test • Tablet friability test • Uniformity of weight 	<ul style="list-style-type: none"> • To determine colour, taste and odour after mixing • To determine water content in the homogenous compounds • To determine the acidity/alkalinity that contribute to microbial stability • To determine sugar content of the compound • To determine whether tablets or capsule disintegrate within prescribed time • To determine the resistance of tablets to stress • To determine the resistance of tablets to capping, aberration or breakage under condition of handling, storage and transportation • To assess the individual content of active ingredients in each capsule or tablet
Final product testing	<ul style="list-style-type: none"> • Physical appearance • Vacuum leak test • Uniformity of weight 	<ul style="list-style-type: none"> • To ensure the quality of finished products in term of sealing, packaging and labelling • To detect the defection of packaging or sealing such as hold, crack or bad seal • To conform the weight of the finished product

6. BUSINESS OVERVIEW (Cont'd)

Quality Objective	Quality Criteria	Description
<i>Product formulation processes</i>		
In-coming material inspection	<ul style="list-style-type: none"> Physical appearance pH value test Viscosity Brix value Moisture analysis 	<ul style="list-style-type: none"> To determine colour and texture To determine the acidity/alkalinity To measure the internal resistance of active ingredient to flow To determine sugar content of the compound To detect the moisture content of active ingredients
In-process quality control	<ul style="list-style-type: none"> Sensory test pH value test Dissolution Test Heavy metal test Microbial test Nutrition test Stability test 	<ul style="list-style-type: none"> A sensory panel is established to evaluate the acceptability of the sample in terms of appearance, taste, scent and texture To determine the acidity/alkalinity of sample To measure the solubility of sample To ensure no heavy metals (e.g. lead, arsenic, cadmium and mercury) are present To observe sample under microscope to ensure the absence of contamination from yeast, mould and other bacteria. To determine the nutrition values (e.g. energy, fat, carbohydrate, protein, fibre content) A product accelerated test to evaluate and determine the shelf life
<i>Herbs processing processes</i>		
In-process quality control (after drying)	<ul style="list-style-type: none"> Physical appearance Heavy metal test Microbial test 	<ul style="list-style-type: none"> To determine colour and texture To ensure no heavy metal (e.g. lead, arsenic, cadmium and mercury) present To ensure the absence of contamination from bacteria
In-process quality control (in-coming processed herbs from suppliers)	<ul style="list-style-type: none"> Physical appearance Heavy metal test Microbial test 	<ul style="list-style-type: none"> To determine colour and texture To ensure no heavy metal (e.g. lead, arsenic, cadmium and mercury) present To ensure the absence of contamination from bacteria
In-process quality control (after extraction)	<ul style="list-style-type: none"> Physical appearance Heavy metal test Microbial test 	<ul style="list-style-type: none"> To determine colour and texture To ensure no heavy metals (e.g. lead, arsenic, cadmium and mercury) are present To ensure the absence of contamination from bacteria
In-process quality control (after spray drying)	<ul style="list-style-type: none"> Physical appearance 	<ul style="list-style-type: none"> To determine colour and texture

6. BUSINESS OVERVIEW (Cont'd)

Quality Objective	Quality Criteria	Description
<i>Liquid fermentation processes</i>		
In-process quality control (after preparation of inoculum)	<ul style="list-style-type: none"> Brix test pH value test 	<ul style="list-style-type: none"> To determine sugar content of the compound/medium To measure the acidity present
In-process quality control (after fermentation stage)	<ul style="list-style-type: none"> Microbial test Liquid centrifugation 	<ul style="list-style-type: none"> To ensure the absence of contamination Liquid centrifugation to measure the growth of mycelium
In-process quality control (after freeze drying stage)	<ul style="list-style-type: none"> Physical appearance pH value test Brix test Moisture analysis Microbial test Heavy metal test Nutrition test 	<ul style="list-style-type: none"> To determine taste and colour To determine the acidity/alkalinity To determine sugar content of the compound To detect the moisture content of active ingredients To ensure the absence of contamination from yeast, mould and other bacteria. To ensure no heavy metals (e.g. lead, arsenic, cadmium and mercury) are present To determine the nutrition values (e.g. energy, fat, carbohydrate, protein, fibre content)

6.8 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

We use active ingredients from herbal plants such as tongkat ali, kacip fatimah and hempedu bumi, as well as *C. sinensis*, *L. rhinocerus*, fish collagen, silk peptide, hyaluronic acid, natto kinase, psyllium husk, apple stem cell, pearl powder, grape seed extract and *L-gluthatione*.

Some of the herbal plants are used in our manufacturing processes are sourced from our herb farms. As at the LPD, we have successfully harvested turmeric, ginger, misai kucing, kacip fatimah, hempedu bumi and roselle from our herb farm on Desaru Land, whilst other herbal plants such as tongkat ali, pecah beling and dukung anak are in various stages of growth. Our herbal plants undergo processing (i.e. cleaning, drying and packing) at our Semenyih plant to produce processed herbs before being utilised in the manufacturing of semi-finished and finished herbal supplement products. Any excess processed herbs not used for further manufacturing are sold to our customers.

We are also in the midst of preparing and clearing the Pasir Raja Land for further herb cultivation. (Please refer to Sections 6.16.2 and 6.17(v) of this Prospectus for further details of our herb farm on Pasir Raja Land and our future plans relating thereto).

The cultivation of own herbal plants enables us to have better control over the supply and quality of our active ingredients. Our current practise is to use organic pesticides and fertilisers in our herb farm to minimise any health threats to our customers. We also endeavour to ensure that these plants are grown in an optimal environment to increase the effectiveness of nutrients extracted from the plants.

6. BUSINESS OVERVIEW (Cont'd)

Further, we are also able to commercially ferment medicinal mushroom strains through our proprietary liquid fermentation technology, which enables us to produce *C. sinensis* and *L. rhinocerus* in just five (5) days in a controlled environment while still preserving the quality of the yield. This eliminates inconsistencies and allows us to maintain the quality of our *C. sinensis* and *L. rhinocerus* products. These *C. sinensis* and *L. rhinocerus* strains are currently stored in UTM's cell bank as UTM has the appropriate facilities to ensure that they are kept in a secure and controlled environment. We also store strains of four (4) other medicinal mushrooms in UTM, i.e. *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum* for which we are undertaking R&D activities to develop the appropriate fermentation process. The medicinal mushroom strains that are stored in UTM have a life span of approximately twenty (20) years.

Meanwhile, we source other active ingredients which we do not cultivate, or those where our internal harvest of processed herbs are currently unable to cater to external demand, as well as supplies and consumables from a pool of local suppliers. Our suppliers are mostly located in Malaysia, and these supplies are largely generic materials used in the manufacturing of food and pharmaceutical products, hence they are readily and easily available with no material price fluctuations or volatility in the past.

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6. BUSINESS OVERVIEW (Cont'd)

6.9 MAJOR SUPPLIERS

Our major suppliers who contributed more than 10% of our total purchases for at least one (1) of the past three (3) FYE 31 December 2011 to 2013 and FYE 30 September 2014 are as follows:

Supplier	Type of Supply	<----- 2011 ----->		FYE 31 December		<----- 2013 ----->		FYE 30		Length of Business Relationship as at the LPD
		RM'000	%	RM'000	%	RM'000	%	September 2014	%	
Biovibes Sdn Bhd (Formerly known as Edarmax Venture Sdn Bhd)	Active ingredients	2,371	55.17	3,506	50.08	3,028	29.41	2,808	44.19	7 years
Essence Herbs Life Science Corporation	Medium for fermentation purposes	-	-	178	2.54	-	-	1,183 ⁽¹⁾	18.61	3 years
Bioflow Lifescience Sdn Bhd	Active ingredients	204	4.75	156	2.23	2,079 ⁽²⁾	20.19	97	1.52	4 years
Agrifact Sdn Bhd	Medicinal mushrooms ⁽³⁾	-	-	-	-	1,140	11.07	1,014	15.95	2 years

Notes:

(1) The higher purchases from Essence Herbs Life Science Corporation in 2014 was mainly due to increase in customers' orders for C. Sinensis-based products.

(2) The higher purchases from Bioflow Lifescience Sdn Bhd in 2013 was mainly due to an increase in purchases of collagen and silk peptide following an increase in customers' orders for collagen-based and silk peptide-based products.

(3) Comprise extracts of certain species of medicinal mushroom which we do not yet ferment such as *Lenitula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*.

We choose to procure our active ingredients and supplies in bulk from the abovementioned suppliers to enable us to negotiate better prices and achieve cost savings from bulk purchases. However, we are not dependent on any of the above suppliers as we are able to procure active ingredients and supplies from other suppliers in Malaysia, if required.

6. BUSINESS OVERVIEW (Cont'd)

6.10 MARKETING, DISTRIBUTION AND SALES STRATEGIES

6.10.1 Modes of Distribution and Sales

We mainly generate sales through the following four (4) channels:

(i) ODM customers and other health supplement manufacturers

Sales to our ODM customers and semi-finished formulated ingredient customers (comprising health supplement manufacturers) are typically generated directly by our sales team, either through referrals from our past and existing customers or from directly contacting potential customers. Our participations in exhibitions and trade shows have also helped us to secure ODM and health supplement manufacturer customers.

As at the LPD, we supply to more than twenty (20) ODM customers, including four (4) overseas ODM customers from China and Cambodia. We are the exclusive sole manufacturer of the finished health supplements products supplied to our ODM customers. Henceforth, our ODM customers are not able to contract other health supplement manufacturers to manufacture health supplement products with the same formulations as these product formulations are our proprietary information.

(ii) Third party retail pharmacies

For FPE 30 September 2014, our finished house brand products are sold directly to more than 100 third party retail pharmacies and other food and health retail outlets across Peninsular Malaysia. Among some of the retail pharmacies which carry our products include Health Lane Family Pharmacy Sdn Bhd, Natural Healthy Living Sdn Bhd, Alpro Pharmacy Sdn Bhd, Mylife Healthcare Sdn Bhd, Hai-O Medicine Sdn Bhd and Life Care Pharmacy Sdn Bhd.

(iii) Distributors

We also distribute our house brand products through non-exclusive distributors in the East Malaysia region, Indonesia and Australia as illustrated below:

Geographical Location	No. of Distributor
East Malaysia	2
Indonesia	3
Australia	1

(iv) "LifeSprings" retail outlet

Our retail outlet, "LifeSprings", provides an avenue for us to directly reach out to end-user customers to enhance our brand reputation and market standing. We commenced business at our first "LifeSprings" store located at Solaris Mont Kiara, Kuala Lumpur in June 2014. At our "LifeSprings" retail outlet, key display spaces are reserved for our house brand products allowing us to increase the visibility of our products and thus, boost revenue from our house brand products.

6. BUSINESS OVERVIEW (Cont'd)

6.10.2 Marketing Strategies

We understand the importance of building our brand recognition and market standing in order to boost our revenue not only from ODM contracts, but also our house brand products. As such, we constantly invest in various marketing strategies to raise our corporate profile.

The sales and marketing strategies that we have initiated include the following:

(i) Exhibitions and trade shows

Exhibitions and trade shows are used as a promotional tool for communicating to the target market on our products and services. Through exhibitions and trade shows, we are able to launch new products, introduce existing products to new markets, build customer relations and establish contact with potential customers, while promoting our brands. Exhibitions and trade shows have been a key source of developing initial contact with our ODM customers.

Over the years, we have participated in numerous exhibitions held in Malaysia and internationally, including United Arab Emirates, United Kingdom, China and US. Below is a list of some of the exhibitions that we have participated in from 2011 to 2014:

Exhibition/Trade Show	Organiser	Location	Year of Event
5 th Presentation Herbal & Health Care Indonesia 2014	International Media Support (IMS) and International Ikatan Naturopatis Indonesia	Jakarta, Indonesia	2014
Nanjing International Consumer Goods Expo	Jiangsu High Hope Convention & Exhibition Group	Nanjing, China	2014
Bio-International Advisory Panel Meeting 2014	MBC	New York, US	2014
2 nd Herbal World Exhibition and Conference	Global and Gulf Natural Sdn Bhd	Malaysia Kuala Lumpur, Malaysia	2014
International Malaysia Trade	MATRADE	Kuala Lumpur, Malaysia	2014
10 th World Economic Forum ("WIEF")	Islamic Forum WIEF Foundation	Dubai, UAE	2014
China Guangdong 21 st Century Maritime Silk Road International Expo	The Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Singapore	Dongguan City, China	2014
National Innovation Conference And Exhibition (NICE) 2014	Ministry of Science, Technology and Innovation (MOSTI)	Kuala Lumpur, Malaysia	2014

6. BUSINESS OVERVIEW (Cont'd)

Exhibition/Trade Show	Organiser	Location	Year of Event
The 21 st China Yangling Agricultural Hi-Tech Fair	Shaanxi Provincial People's Government	Yangling, China	2014
5 th Organisation of Islamic Cooperation (OIC) World BIZ "Business and Investment Zone" Exhibition and Conference	OIC International Business Centre	Kuala Lumpur, Malaysia	2014
Independent Entrepreneurs Team Building Convention (IETC) 2014	MLM Toper Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	2014
"Majlis Perasmian Muzium Koperasi Malaysia dan Bicara Perdana Tokoh Koperasi"	MyAngkasa	Selangor, Malaysia	2014
BioMalaysia & Bioeconomy Asia Pacific 2014	MBC	Kuala Lumpur, Malaysia	2014
Malaysia Agriculture, Horticulture and Agrotourism (MAHA) Show 2014	Malaysian Agricultural Research and Development Institute (MARDI) & Federal Agricultural Marketing Authority ("FAMA")	Selangor, Malaysia	2014
Malaysian Carnival of Cooperatives' Products and Services (MACCOPS) 2014	MyAngkasa	Selangor, Malaysia	2014
Malaysia Week 2014	MTDC	Cairo, Egypt	2014
BIO International Convention	Biotechnology Industry Organisation	California, US	2014
Arab Health	Informa Life Sciences Exhibitions	Dubai, UAE	2014
Natural Product Expo West	New Hope Natural Media	California, US	2014
Malaysia International Halal Showcase	MITI	Kuala Lumpur, Malaysia	2014
18 th Investment Halal Food Festival	FAMA	Xi'an, China	2014
9 th WIEF	WIEF Foundation	London, United Kingdom	2013

6. BUSINESS OVERVIEW (Cont'd)

Exhibition/Trade Show	Organiser	Location	Year of Event
Natural Product Expo West	New Hope Natural Media	California, US	2013
Malaysia International Halal Showcase	MITI	Kuala Lumpur, Malaysia	2013
Natural & Organic Product Europe	Diversified Communications United Kingdom	London, United Kingdom	2013
Vitafoods Asia	Informa Life Sciences Exhibitions	Hong Kong, China	2013
Bioeconomy Investor Forum	MBC	Kuala Lumpur, Malaysia	2013
Specialised Marketing Mission in conjunction with the Kazakhstan International Health Expo	MATRADE	Almaty, Kazakhstan	2012
Malaysia International Food and Beverage Trade Fair	Expomal International Sdn Bhd	Kuala Lumpur, Malaysia	2012
Natural Product Expo West	New Hope Natural Media	California, US	2012
Middle East Natural and Organic Product Expo	Global Links LLC	Dubai, UAE	2012
Incoming Buying Mission Intrade Malaysia	Qube Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	2012
BioMalaysia 2012 Conference Exhibition	MBC	Kuala Lumpur, Malaysia	2012
BioMalaysia 2011 Conference Exhibition	MBC	Kuala Lumpur, Malaysia	2011
Incoming Buying Mission Intrade Malaysia	Qube Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	2011
Malaysia International Halal Showcase	MITI	Kuala Lumpur, Malaysia	2011
Malaysia Export Exhibition Centre	MATRADE	Kuala Lumpur, Malaysia	2011
KLMCC Exhibition	Kuala Lumpur Malay Chamber of Commerce (KLMCC)	Kuala Lumpur, Malaysia	2011
SME Exhibition	SME Corporation Malaysia	Kuala Lumpur, Malaysia	2011

6. BUSINESS OVERVIEW (Cont'd)

(ii) Media advertising

We undertake advertising and promotional activities through various mediums such as newspapers, magazines and radio.

We also utilise out-of-home media in advertising our products, where our products are featured in strategically located advertising billboards. To date, we have placed more than twenty (20) billboard advertisements in various strategic locations, including Sungai Buloh, Bangi and Subang in Selangor, Sungkai in Perak and Johor Bahru in Johor.

(iii) Awareness programmes and health forums

We have also been featured in several news programmes, as well as conduct awareness programmes and health forums on healthy living to promote the uses and health benefits of our health supplement products.

(iv) Corporate and brand websites

We have established our corporate website at www.bioa.net which provides information on us, including our products and services. In addition, we have also established websites for our house brands, "Bexlim[®]" and "Nushine" at www.bexlim.com and nushine.net. The current widespread use of the internet as a source of information enables us to cross geographical borders and facilitates access from any part of the world and thus, enhance our potential market reach and exposure.

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6. BUSINESS OVERVIEW (Cont'd)**6.11 MAJOR CUSTOMERS**

Our major customers who contributed more than 10% of our total revenue for at least one (1) of the past three (3) FYE December 2011 to 2013 and FPE 30 September 2014 are as follows:

Customer	Type of Customer	<----- 2011 ----->		FYE 31 December		----- 2013 ----->		FPE 30		Length of Business Relationship as at the LPD
		RM'000	%	RM'000	%	RM'000	%	September 2014	%	
Code Link Sdn Bhd	Brand owner	1,156	7.94	1,738	9.09	1,890	7.69	2,820	15.03	6 years
Bcorp International Sdn Bhd	Brand owner	1,352	9.29	1,470	7.69	2,735	11.13	1,190	6.34	5 years
PT Alfa Sehat Indonesia	Distributor	-	-	-	-	3,096	12.60	2,398	12.78	2 years
PT Setia Jaya Makmur	Brand owner	1,018	6.99	2,575	13.47	1,670	6.8	1,880	10.02	7 years
PT Youth Spring	Distributor	-	-	950	4.97	1,095	4.46	1,364	7.27	3 years
PT Bioalpha Makmur	Distributor	2,340	16.08	1,477	7.72	1,497	6.09	1,108	5.90	6 years

We have a diversified customer base consisting of health supplement manufacturers and brand owners, distributors and third party retail pharmacies. While some of these customers may contribute more than 10% of our total revenue, we have a wide customer base and thus, are not dependent on any of our customers.

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6. BUSINESS OVERVIEW (Cont'd)**6.12 COMPETITIVE STRENGTHS AND ADVANTAGES****(i) Our manufacturing facilities are GMP compliant and we are able to produce Halal certified products**

Our Bangi and Semenyih plants are recognised as GMP compliant facilities by MOH. With GMP compliant facilities, we are able to ensure that our products meet the required standards of quality, efficacy and safety.

Further, our manufacturing processes and equipment used for fermentation of medicinal mushrooms and manufacturing of products have been inspected by JAKIM in the past, which have enabled us to obtain Halal certifications for those products which we have applied for such certifications.

The abovementioned certifications are internationally recognised and provide us with the capability to expand our product range, as well as penetrate into markets beyond Malaysia such as countries in the North American, Asian and Middle East regions.

(ii) Wide range of products across the supply chain

We have a wide range of products across the herbal supplements supply chain, namely processed herbs, medicinal mushroom based and herbal based semi-finished formulated ingredients, and finished health supplement products.

We currently have nine (9) semi-finished formulated ingredients, 75 finished functional food products and 48 finished herbal and non-herbal supplement products which are commercially available in the market. All of our finished herbal and non-herbal supplement products are registered with MOH and awarded with MAL certificates. At present, we are in the midst of undertaking multiple R&D initiatives, which include developing "High-value herbal products", polysaccharide based products, and other new *C. sinensis* based product formulations. Please refer to Section 6.5 of this Prospectus for further details of our R&D activities.

We are committed to produce quality health supplement products for our customers. As such, we have in place QC procedures to ensure that amongst others, our manufacturing processes meet the required standards of quality, from active ingredients used in our manufacturing processes to our finished products.

We have commercially fermented *C. sinensis* and *L. rhinocerus* through our proprietary liquid fermentation technology, which enable us to reduce inconsistencies in the quality of our *C. sinensis* and *L. rhinocerus* products. Moving forward, we intend to commercialise fermentation of four (4) other types of medicinal mushrooms, namely *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*.

We also cultivate our own herbs, where we ensure that we do not utilise non-organic fertilizers and pesticides in our herb farm. This allows us to be certain that our herbal materials utilised in our manufacturing processes are within safety requirements, and do not contain hard metal or chemical compounds. For herbal materials which we do not cultivate or have not harvested, we ensure these materials do not contain any traces of heavy metals and are not contaminated through inspection of the COA that accompanies these materials.

6. BUSINESS OVERVIEW (Cont'd)

(iii) Cost competitiveness and consistency of supply of raw materials through our proprietary liquid fermentation facility and herb farms

We own and operate a proprietary liquid fermentation technology for the fermentation of medicinal mushrooms. As at the LPD, we are able to ferment two (2) types of medicinal mushrooms, i.e. *C. sinensis* and *L. rhinocerus*. In addition, we also cultivate our own herbal plants in our herb farm on Desaru Land, from which we have harvested herbs such as turmeric, ginger, kacip fatimah, hempedu bumi, misai kucing, dukung anak and roselle.

Medicinal mushrooms and herbal plant extracts are key active ingredients for many of our products. Medicinal mushrooms are generally costly. For instance, *C. sinensis* is a plant that grows primarily in the highlands of China, Tibet and Nepal and thus, procuring this active ingredient from its primary source would be costly. Meanwhile, though *L. rhinocerus* can be found in nearer countries in Southeast Asia, the supply of *L. rhinocerus* is limited resulting in it being costly. While herbal plants can be sourced in Malaysia, some of these herbs may be tainted with heavy metals and/or are contaminated.

Thus, through our proprietary liquid fermentation technology and herb farms, we are able to procure a regular supply of quality medicinal mushrooms and herbal plants at a cheaper cost.

(iv) Experienced management team

We have been operating our business for close to a decade, and we are led by an experienced management team. Our founder and Managing Director/Chief Executive Officer, William Hon, has more than ten (10) years of experience in the life sciences industry. Together with our Operations Director, Ho Tze Hiung, they have been instrumental in the growth and establishment of our Group as a manufacturer of semi-finished and finished health supplement products.

Both our Managing Director/Chief Executive Officer and Operations Director are supported by our six (6) key management, comprising staff with diverse backgrounds and experiences. Their different expertise, experience and ability to collaborate as a team have contributed positively to our operations and will enable us to continue to grow our business and expand our presence internationally.

(v) We have a diversified customer base and a multi-channel distribution platform

Through our portfolio of products across the herbal supplements supply chain, we are able to reach out to a diversified customer base, thereby mitigating concentration risks when it comes to generating income.

The different types of customers that we currently supply to includes the following:

(a) Health supplement manufacturers

Our formulated ingredients are targeted at other health supplement product manufacturers for further processing, and some of our finished health supplement products are contract manufactured, on an ODM basis, for other health supplement product manufacturers.

(b) Health supplement brand owners

Some of our finished health supplement products are also contract manufactured, on an ODM basis, for other health supplement brand owners.

6. BUSINESS OVERVIEW (Cont'd)

(c) Distributors

Our house brand products are sold to distributors who either sell directly to end consumers, or to other third party retail pharmacies and/or food and health retail outlets.

(d) Retail outlets and pharmacies

We also sell directly to third party retail outlets and pharmacies as well as through our retail outlet, "LifeSprings".

(vi) We have experience and technical know-how in the health supplement industry to develop product formulations to suit market needs and to enhance our manufacturing processes

We commenced operations in the health supplement industry since 2005, and have been developing product formulations and processes since 2008. With close to a decade of operations in the industry, we have gained substantial experience and technical know-how in the industry.

Through our capacity as an ODM manufacturer for other brand owners, retailers and manufacturers, we have garnered considerable knowledge on market demands and needs. This knowledge has accorded us with the insight to develop commercially viable product formulations for the markets in which we operate in.

We also have our own laboratory facility and a R&D team, comprising a registered chemist, a registered pharmacist, a professionally qualified food technologist and nutritionists, to facilitate our development of product formulations as well as to optimise our manufacturing processes. Through our R&D activities, we have developed nine (9) semi-finished formulated ingredients, 75 finished functional food products and 48 finished herbal and non-herbal supplement products which are currently commercially available in the market. In addition, we have also established our proprietary liquid fermentation technology for two (2) types of medicinal mushrooms used in the manufacturing of our products.

We have also established a SAB, consisting of local and international experts in various fields such as biotechnology, life sciences, food and herbal technology processes, fermentation and healthcare and, which provides a valuable platform for our R&D team to formulate, execute and implement our R&D strategies.

We intend to continuously do R&D on new product formulations to increase our product range, whereby we aim to develop thirty (30) new product formulations each year. Our commitment to R&D will enable us to capture opportunities for development of new product formulations to meet market trends and consumer preferences.

6.13 OTHER FACTORS AFFECTING OUR BUSINESS

6.13.1 Seasonality

Demands for our products are seasonal, which consistently peak in the fourth quarter of the calendar year mainly as a result of increased orders by customers in conjunction with their year end and festive promotional activities. Thus, our revenues are generally higher in the fourth quarter of the year as compared to other periods. Please refer to Section 12.5.1 of this Prospectus for an illustration of our demand trend analysis.

6. BUSINESS OVERVIEW (Cont'd)

6.13.2 Dependency on Industrial, Commercial and Financial Contracts

We are not dependent on any material contracts or agreements, including commercial and financial contracts, which are material to our business or profitability.

6.13.3 Business Interruptions

We did not experience any material interruptions to our business, which had a significant effect on our operations during the past twelve (12) months prior to the date of this Prospectus.

6.13.4 Regulatory Requirements and Environmental Issues

Save as disclosed in Section 6.16 of this Prospectus, we are in compliance with all regulatory requirements and have not experienced any environmental issues which may materially affect our operations and utilisation of assets as at the LPD.

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6. BUSINESS OVERVIEW (Cont'd)

6.14 APPROVAL, MAJOR LICENCES, PERMITS AND REGISTRATIONS

As at the LPD, we hold the following major licences, permits and registrations for our business operations:

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
BISB	Majlis Perbandaran Petaling Jaya	09.12.2014 (effective from 01.01.2015)	31.12.2015	Business licence for the premises situated at No. B-10-06, 6 th Floor, 3 Two Square, 46300 Petaling Jaya (Licence No.: L950000131534)	Nil	Not applicable
	MOH	01.01.2015	31.12.2015	Manufacturer's licence (Licence No.: MALLP20141589) authorising the company to manufacture the following products:	The company is allowed to manufacture only the registered products as approved by the DCA.	
				<ul style="list-style-type: none"> • B-Spirulina • Botanical Green • Camerlyn Cordyceps Sinensis • Cordy Ginkgo Plus • Cordy Man-Plus • Cordy Wolfberry Plus • Cordy-Fem • Cordyceps B-Care Plus • Codyceps Immu Plus • Cordyceps Pro-Complex • Cordyceps Sinensis Plus • Femin Gold • Femin Plus • Greentox • L-Gurd • Labisia Femin Plus 		

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
				<ul style="list-style-type: none"> • Natural C Capsule 400mg • Prune-Ex Plus • S U-Turn • T-Max Tongkat Ali with Maca Plus • V-Kids 		
	MITI	31.12.2009 (effective from 04.06.2009)	-	Manufacturing licence (Licence No.: A 017437) for the place of manufacturing at No. 190, 191, 192 and 193, Jalan Vilaraya 1/5, Vilaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semeyih for the product:	<p>(i) The address stated in the licence must be approved by the State Government and Department of Environment.</p> <p>(ii) MITI must be informed of the sale of shares in the company.</p> <p>(iii) The company is required to train Malaysian citizens accordingly to facilitate the transfer of expertise and technology to all levels of employees.</p> <p>(iv) The company must undertake its projects in accordance with the rules and regulations in Malaysia.</p>	Met
	Royal Malaysia Customs	27.05.2011 (effective from 24.05.2011)	-	<p>(a) "pharmaceutical and food supplements in the form of tablet, capsule, liquid and powder"; and</p> <p>(b) "dragon fruit tea"</p>		
				Licence granted under Sales Tax Act 1972 (Licence No.: W10-CJ 11000054/ 2011) for soft drinks ⁽¹⁾		Nil
						Not applicable

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
	Majlis Perbandaran Kajang	-	31.12.2015	Business license for the premises situated at 10 and 12, Jalan P/9A, Kawasan Industri Bandar Baru Bangi, 43600 Bandar Baru Bangi, Selangor (Serial No.: 201500017644)	This license has to be displayed at the premises at all times and to be renewed before the date of expiry.	Met
	Majlis Perbandaran Kajang	-	31.12.2015	Business license for the premises situated at 190, 191, 192 and 193, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor (Serial No.: 201500010212)	This license has to be displayed at the premises at all times and to be renewed before the date of expiry.	Met
	BPFK	26.05.2014	17.04.2016	Letter of confirmation confirming that the manufacturing premise at 10, Jalan P/9A, Kawasan Industri Bandar Baru Bangi, Selangor has been inspected and conforms to the requirement of GMP in accordance with the Guidelines on GMP for Traditional Medicines and Health Supplements, 1 st Edition, 2008 for the manufacturing of: <ul style="list-style-type: none"> • Tablets • Capsules • Powders • Sachets (tea bag) • Liquid (internal) 	This document is only valid for two (2) years from the date of last inspection (18 April 2014) unless otherwise specified.	Not applicable

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
	MITI	27.11.2014 (effective from 23.07.2014)	-	Manufacturing licence (Licence No.: A 019718) for the place of manufacturing at 10 and 12, Jalan P/9A, Seksyen 13, 46350 Bandar Baru Bangi, Selangor Darul Ehsan for the product: (a) "pharmaceutical and food supplements in the form of tablet, capsule, liquid and powder"; and (b) "tea"	(i) This license has to be displayed in the place of manufacturing. This license need not be renewed and is in force unless and until revoked pursuant to Industrial Co-ordination Act 1975. (ii) MIDA must be informed of the change of registered address of the company. (iii) The company is required to comply with conditions imposed by the Department of Environment and BPFK. (v) The address stated in the licence must be approved by the State Government and Department of Environment. (vi) MITI must be informed of the sale of shares in the company. (vii) The company is required to train Malaysian citizens accordingly to facilitate the transfer of expertise and technology to all levels of employees. (viii) The company must undertake its projects in accordance with the rules and regulations in Malaysia.	Met

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
BRSB	MBC	30.06.2008	-	BioNexus certificate (Certificate No.: BNX-100578)	<p>The company must conduct only the Qualifying Activities specified in the Letter of Award. Qualifying Activities means:</p> <p>(i) Research, development, cultivation, extraction and processing of Cordyceps to be used as biological active compounds for the formulation of health supplement products.</p> <p>(ii) In addition to the attached Terms and Conditions, the company must fully comply with the following conditions:</p> <p>(a) The company must invest at least 3% of its annual revenue in research and development;</p> <p>(b) The company must employ at least 60% knowledge workers of its total workforce; and</p> <p>(c) The company must undertake continuous research and development to improve its Cordyceps production technology as well as developing new range health products based on identified active components obtained from Cordyceps as proposed.</p>	Met

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
	MITI	25.07.2014 (effective from 24.07.2014)	-	Manufacturing license (License No.: A019723) for the place of manufacturing at Lot. 10, Jalan P/9A, Seksyen 13, 46350 Bandar Baru Bangi, Selangor Darul Ehsan for the product "Cordyceps Powder"	<p>(i) This license has to be displayed in the place of manufacturing. This license need not be renewed and is in force unless and until revoked pursuant to Industrial Co-ordination Act 1975;</p> <p>(ii) MIDA must be informed of the change of registered address of the company;</p> <p>(iii) The company is required to comply with conditions imposed by the Department of Environment and BPFK;</p> <p>(iv) The address stated in the licence must be approved by the State Government and the Department of Environment;</p> <p>(v) MITI must be informed of the sale of shares in the company;</p> <p>(vi) The company is required to train Malaysian citizens accordingly to facilitate the transfer of expertise and technology to all levels of employees; and</p> <p>(vii) The company must undertake its projects in accordance with the rules and regulations in Malaysia.</p>	Met

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit / Registration	Salient Conditions	Status of Compliance
	Majlis Perbandaran Kajang	-	31.12.2015	Business license for place of business at 192A, Jln V/Raya 1/5, V/Raya Ind. Park 1, Bt. 23, 43500 Semenyih, Sel. (Serial No.: 201500015165)	This license has to be displayed at the premises at all times and to be renewed before the date of expiry	Met
Alphacare	Dewan Bandaraya Kuala Lumpur	03.09.2014	03.09.2015	Business license for the premises situated at No. 2, Ground Floor, Jalan Solaris 5, Solaris Mont Kiara, Off Jalan Duta Kiara, 50480 Kuala Lumpur	This license has to be displayed at the premises at all times and to be renewed before the date of expiry	Met
Hiong Len Teng ⁽²⁾	Pharmacy Board of Malaysia	18.07.2014 (effective from 01.01.2015)	31.12.2015	Annual retention certificate for registered pharmacist	Nil	Not applicable
	Pharmaceutical Services Division of MOH	18.12.2014 (effective from 01.01.2015)	31.12.2015	Pharmacist's Poisons License (Type A license) granted to pharmacist with the business address of Alphacare Sdn Bhd (Lifesprings Lifestyle & Wellness Pharmacy) No. 2, Ground Floor, Jalan Solaris 5 Mont' Kiara off Jalan Duta Kiara to import, store and deal generally in all poisons by retail only	Nil	Not applicable

Notes:

- (1) The soft drinks referred to are Bexlim Cordyceps Plus, Bexlim Mengkudu Tea, Bexlim Dragon Fruit Tea, Cordyceps Sinensis, Premia Spirulina-Ex, Bexlim Pearl Collagen, Honey and B-Kopi.
- (2) Hiong Len Teng is the pharmacist for our "Lifesprings" retail outlet.




6. BUSINESS OVERVIEW (Cont'd)

In addition, we have obtained Halal certificates for the following products:

Certificate No.	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Product	Salient Conditions	Status of Compliance
JAKIM/ (S)/ (22.00)/ 492/2/1121-07/2013	JAKIM	01.02.2014	31.01.2016	• DAMSO Sabah Snake Grass Tea	Nil	Not applicable
A18357	JAKIM	01.06.2013	31.05.2015	• Misai Kucing Organic Herbal Tea (3G)	Nil	Not applicable
JAKIM/ (S)/ (22.00)/ 492/2/1032-07/2010	JAKIM	16.08.2013	15.08.2015	• Spirulina- Ex	Nil	Not applicable

6.15 INTELLECTUAL PROPERTY RIGHTS

As at the LPD, we are the proprietary owner of the following trademarks registered under the Trade Marks Act 1976:

Trademark	Registration No.	Registration Date / (Expiry Date)	Country of Registration	Authority / Regulatory Guidelines	Description
	05018797	09.11.2005 / (09.11.2015)	Malaysia	MyIPO	Health food and supplements in powder and liquid form in class 5.
	05018798*	09.11.2005 / (09.11.2015)	Malaysia	MyIPO	Health food and supplements in powder and liquid form in class 5.
	2011002166	07.02.2011 / (07.02.2021)	Malaysia	MyIPO	Health food and supplements in powder, liquid, teabag, tablet and capsule form in class 5.

6. BUSINESS OVERVIEW (Cont'd)

Trademark	Registration No.	Registration Date / (Expiry Date)	Country of Registration	Authority / Regulatory Guidelines	Description
Bioapotec	201200392	10.01.2012/ (10.01.2022)	Malaysia	MyIPO	Retail stores services, marketing, and related of heart food, supplement, herbs, cosmetic, medical devices and other health related products all included in class 35.
	201101067	16.06.2011/ (16.06.2021)			Nutritional food supplements contain vitamins, minerals and herbs in form of capsules, tablets, powders and liquids, all included in class 5.
NANOLLAGEN	2012009935	12.06.2012/ (12.06.2022)	Malaysia	MyIPO	Healthcare products (medicinal), food supplements for medical purposes, herb preparation for medicinal purposes; all included in class 5

Note:

- * The registered proprietor of Bexlim® is our founder, William Hon, who had authorised the usage of "Bexlim®" to BISB and BDSB products on 18 November 2005 and 17 July 2008 respectively. On 26 August 2014, William Hon has assigned unto BISB all the property, right, title and interest in "Bexlim®" and an application for change of registered proprietor of "Bexlim®" has been submitted to MyIPO on even date, with the outcome pending to date.

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6. BUSINESS OVERVIEW (Cont'd)

We have also filed with MyIPO the following trademark registration applications under the Trade Marks Act 1976 and Trade Marks Regulations 1977:

Company	Application Date	Description	Application No.	Class	Status
BISB	18.04.2014	Apotec	2014004390	Selling, marketing, trading of health food, supplement, herbs, cosmetic, medical devices and other health related products in class 3	Pending
BISB	18.04.2014	Apotec	2014004392	Selling, marketing, trading of health food, supplement, herbs, cosmetic, medical devices and other health related products in class 5	Pending
BISB	18.04.2014	Apotec	2014004391	Selling, marketing, trading of health food, supplement, herbs, cosmetic, medical devices and other health related products in class 10	Pending
BISB	18.04.2014	Aurora	2014004394	Selling, marketing, trading of health food, supplement, herbs, cosmetic, medical devices and other health related products in class 3	Pending
BISB	18.04.2014	Aurora	2014004395	Selling, marketing, trading of health food, supplement, herbs, cosmetic, medical devices and other health related products in class 5	Pending
BISB	18.04.2014	Aurora	2014004396	Selling, marketing, trading of health food, supplement, herbs, cosmetic, medical devices and other health related products in class 10	Pending
BDSB	22.11.2011	Alphanex	2011020594	Selling, marketing, trading of health food, supplements, herbs, cosmetics, medical devices and other health related products; all included in class 5	Pending
BDSB	22.11.2011	Nushine	2011020595	Selling, marketing, trading of health food, supplements, herbs, cosmetics, medical devices and other related health products; all included in class 5	Pending

In addition, we have filed with MyIPO and Taiwan Intellectual Property Office in 2012 the following patent:

Company	Application Date	Application No.	Description	Status
BRBSB	12.03.2012	PI 2012001117 (Malaysia)	Culture method and liquid culture medium of <i>C. sinensis</i> .	Pending
	25.06.2012	101122709 (Taiwan)	Culture method and liquid culture medium of <i>C. sinensis</i>	Pending

6. BUSINESS OVERVIEW (Cont'd)

6.16 PROPERTY

6.16.1 Own and Leased Properties

As at the LPD, we own the following property:

Registered owner	Location	Description and Existing Use	Date of Certificate of Fitness	Built-Up Area/ Land Area Sq. ft.	Tenure	Carrying Amount as at 30 September 2014 RM'000
BISB	No. 10, Jalan P/9A Section 13 Bandar Baru Bangi Selangor	Industrial land with the following buildings erected thereon: <ul style="list-style-type: none"> a semi-detached two (2)-storey building annexed with an open shed* for our manufacturing facility; two (2) utility cabins* for our restroom and surau; and a guardhouse*. 	30.04.2012	8,137 / 11,000	99 years expiring on 20.08.2105	3,970

Note:

* We had, on 22 January 2015 obtained a temporary permit for the open shed, utility cabins and guardhouse from the Building Control Department of Majlis Perbandaran Kajang ("MPKj"), for a period up to 31 December 2015, whereby renewal of the said permit is on a yearly basis.

As at the LPD, we have leased the following properties for our operations:

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BDSB	Dewina LSG Sdn Bhd	No. 12, Jalan P/9A Kawasan Perindustrian Bangi, 43650 Bandar Baru Bangi, Selangor	Industrial land with a semi-detached one (1) ½-storey building for our manufacturing facility ⁽¹⁾	5,600 sq. ft. / 11,000 sq. ft.	8,000 per month	01.02.2014 to 31.01.2016

6. BUSINESS OVERVIEW (Cont'd)

Tenant	Landlord	Location	Description and Existing Use	Built-Up Area/ Land Area	Rental RM	Rental/ Lease Period
BISB	Wong Oon Chien and Choong Yoke Lan	No. 190, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor	Four (4) units of adjoining double storey shop lots for our manufacturing facility	3,300 sq. ft. / (2)	1,500 per month	01.01.2014 to 31.12.2015
	Tan Eng Sin and Choong Yoke Chin	No. 191, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / (2)	1,500 per month	01.01.2014 to 31.12.2015
	Great Centre Sdn. Bhd	No. 192, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / (2)	1,500 per month	01.01.2014 to 31.12.2015
	Choong Yoke Chin and Choong Yoke Fee	No. 193, Jalan Villaraya 1/5, Villaraya Industrial Park 1, Pekan Batu 23, Jalan Sungai Lalang, 43500 Semenyih, Selangor		3,300 sq. ft. / (2)	1,500 per month	01.01.2014 to 31.12.2015
Alphacare	Wan Shahinur Izran Bin Mohamad Salleh and Wan Izzana Fatimah Zabedah Binti Mohamad Salleh	No. 2, Ground Floor, Jalan Solaris 5, Solaris Mont Kiara, Off Jalan Duta Kiara 50480 Kuala Lumpur	One (1) corner unit on the ground floor of a four (4) storey building for our "LifeSprings" retail outlet	1,680 sq. ft. / (2)	17,000 per month	16.04.2014 to 15.04.2017
	Chua Lay Choo	No. B-10-06, 6 th Floor, Dataran 3 Two, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor	A unit on the 6 th floor of a 7 storey office block for our marketing office	2,213 sq. ft. / (2)	5,900 per month	01.05.2014 to 30.04.2015

6. BUSINESS OVERVIEW (Cont'd)

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	<p>Agricultural land for the cultivation and farming of herbal plants with the following infrastructure erected thereon:</p> <ul style="list-style-type: none"> • an administration and management building; • a fertilizer storage facility; • an equipment store cum repair and maintenance workshop; • residential buildings as follows: <ul style="list-style-type: none"> (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; <p>common facilities as follows:</p> <ul style="list-style-type: none"> (i) skid tank; (ii) guardhouse; and (iii) water storage tank. 	(³) / 123.5 acres (⁴)	63,500 per annum (⁴)	07.04.2014 to 06.04.2044

Notes:

- (1) We have commenced interior renovation of the building including amongst others, setting up of partitions, ceiling and wiring for our new fully-automated liquid bottling production line, which has been completed in December 2014. This interior renovation does not require approval from MPKJ as the renovation does not involve any external structural works. Please refer to Section 6.1.7(vii) of this Prospectus for further details of our new fully-automated liquid bottling line.
- (2) Not available as the leased property is a shop lot or a unit within a building.
- (3) Not available as the leased buildings and infrastructures are of different types and sizes.

6. BUSINESS OVERVIEW (Cont'd)

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

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

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

As at the LPD, we are in compliance with all regulatory requirements in respect of our owned and leased properties.

6.16.2 Other Property

As at the LPD, we use the following property for our herb farm:

Registered Owner	Location	Description and Existing Use	Land Area Acres	Remarks
Perbadanan Setiausaha Kerajaan Johor	PTD 4825 H.S.(D) 31408 and PTD 4823 H.S.(D) 31406, Mukim Pantai Timur, Daerah Kota Tinggi, Johor	Agricultural land for cultivation and farming of herbal and non-herbal plants	for 294.9	Pursuant to the Joint Venture Agreement, the parties have agreed to form BJHSB, whereby J-Biotech Herbal shall contribute to the capital of BJSHB by way of injection of a 60 years lease on these lands to BJHSB without encumbrances based on the agreed value of RM15,000.00 per acre as contribution for 300,000 ordinary shares of RM1.00 each in BJHSB at par and any amount in excess of the capital contribution shall be paid back to J-Biotech Sdn Bhd and BASB shall contribute a cash payment of RM700,000 as contribution for 700,000 ordinary shares of RM1.00 each in BJHSB. The formal lease agreement for these lands is still pending but BJHSB has been granted the rights to occupy these lands pursuant to the Joint Venture Agreement.

As at the LPD, we have yet to enter into a lease agreement with the registered owner of Desaru Land and register the same under Section 221(4) of the NLC. Please refer to Section 4.1.6 of this Prospectus for further details of the risk associated with non-registration of our herb farms' leases.

6. BUSINESS OVERVIEW (Cont'd)

6.17 FUTURE PLANS AND STRATEGIES

We aim to be a regional health supplement Group, to improve the wellbeing of people in the markets that we operate in through a culture of innovation and adoption of technology and best practices in research and product development. Our future plans and strategies to achieve our objectives are as follows:

(i) Development of new health supplement product formulations

Going forward, we aim to develop 30 new product formulations per year. Our in-progress product formulations include, amongst others, the following:

- **Development of six (6) new *C. sinensis* based product formulations**

We expect to develop six (6) new *C. sinensis* based product formulations by end 2015. These new formulations will provide health benefits such as general health maintenance and body strengthening.

- **Development of enhanced *L. rhinoceros* based product formulations**

The development of enhanced *L. rhinoceros* based product formulations will follow the successful completion of our R&D on the extraction of "polysaccharide", a complex carbohydrate, from *L. rhinoceros*.

Polysaccharide is known for its energy restoration and immune-boosting functions, and with this extract, we will be able to develop new product formulations with these benefits.

We expect to complete the development of the above formulations in the third quarter of 2015.

- **Development of formulations from four (4) other medicinal mushroom strains through the development of fermentation process for these strains**

We presently ferment two (2) medicinal mushroom strains (i.e. *C. sinensis* and *L. rhinoceros*), and we intend to expand these range of medicinal mushrooms to include four (4) other medicinal mushroom strains (i.e. *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*). The development of fermentation processes for these four (4) medicinal mushrooms will commence in the third quarter of 2015 and we expect to successfully develop these processes by end 2016, after which we will be able to commercialise product formulations produced from these four (4) strains.

This development is estimated to cost approximately RM2.60 million, and will be funded through our IPO proceeds. We intend to work closely with specialist scientists to develop mediums suitable for the fermentation of these medicinal mushrooms, establish optimum culture methods to achieve high yields, and establish appropriate methods for extracting active ingredients from these medicinal mushrooms.

The development of new health supplement products to widen and enhance our product portfolio will contribute towards our continuous business growth and will help us expand our customer base.

6. BUSINESS OVERVIEW (Cont'd)

(ii) Commercialisation of High-value herbal products

We have, in 2011, entered into the NKEA Agreement with the Government, whereby we were appointed and funded as an Anchor Company to undertake pre-clinical and clinical research studies on two (2) of our herbal supplement products for diabetes and as hormone replacement therapy (“NKEA Project”). The salient terms of the NKEA Agreement are as follows:

- In consideration of the execution and completion of the NKEA Project and fulfilment of BISB’s obligations under the NKEA Agreement, the Government agrees to make available to BISB an incentive up to RM20,000,000.
- The amount of the incentive maybe adjusted by the Government and the Government has the absolute discretion to review the application of the incentive or the aggregate amount to be paid to BISB.
- BISB shall source at least 70% of raw materials from local entities.
- The NKEA Agreement shall be for a duration of 24 months commencing from February 2012 until January 2014. The Government had vide a letter dated 25 February 2014, confirmed that having been satisfied with BISB’s performance and compliance with the NKEA Agreement, the NKEA Agreement will be continued for an indefinite term.
- Intellectual Property:

BISB shall prepare and file intellectual property application(s) wherever applicable with MyIPO or other intellectual property bodies within three (3) months after submission of final milestone report(s).

The NKEA Project intellectual property shall be solely owned by BISB. However, the Government may be entitled to use the NKEA Project intellectual property for its own purposes upon consultation with BISB.

- Termination by Government:

In the event BISB without reasonable cause:

- (a) suspends the NKEA Project and fails to proceed regularly and diligently with the performance of its obligations under the NKEA Agreement;
- (b) fails to execute the NKEA Project in accordance with the NKEA Project proposal and persistently neglects to carry out its obligations in relation to the NKEA Project;
- (c) defaults in performing the duties under the NKEA Project and/or the NKEA Agreement; or
- (d) breaches any of its obligations or fail to comply with any other terms and conditions of the NKEA Project and/or the NKEA Agreement;

then the Government shall give notice in writing (“**Notice of Default**”) to BISB specifying the relevant default and requiring BISB to remedy such default within 30 days from the receipt of the Notice of Default. If BISB fails to remedy the relevant default within the 30 days period, the Government may terminate the NKEA Agreement.

6. BUSINESS OVERVIEW (Cont'd)

As at the LPD, we are in the midst of pre-clinical studies on the two (2) products, which are expected to be completed by end 2015. If pre-clinical trial results are positive, we will be able to submit registrations to the NPCB for herbal beverages for diabetes and as hormone replacement therapy with 'medium' or 'functional' claims. Further, with successful completion of the pre-clinical studies, we will embark on clinical trials, which are expected to take place in 2016-2017. If clinical trials are successful, we will be able to register and commercialise our products as botanical drugs.

(iii) Expansion into new markets

We have entered into a Memorandum of Understanding with Fathima Group of Companies ("FGC") for the appointment of FGC as our distributor in UAE on 28 October 2014.

Based on preliminary discussions, we expect to distribute our house brand products, through FGC, to supermarkets, pharmacies and healthcare centres in UAE by the second quarter of 2015, that is after obtaining the required licenses or permits and completion of product registrations with the relevant authorities in UAE.

FGC was established in 1968 and is one of the largest chains of retail outlets consisting of supermarkets, hypermarkets, department stores and general markets in UAE and other member countries of the Gulf Cooperation Council. FGC has a total of 25 retail outlets to date.

We believe that international expansion is a step forward for our Group, as it will help us broaden our revenue and customer base, as well as strengthen our product and corporate branding.

(iv) Increase our retail market presence

The sales of our house brand products have increased over the last three (3) years, from RM10.75 million in FYE 31 December 2011 to RM13.89 million in FYE 31 December 2013, as well as over the latest financial period, from RM7.86 million in FPE 30 September 2013 to RM11.67 million in FPE 30 September 2014. With the increasing recognition of our house brand products in the market, we intend to place greater focus in our efforts to market our house brands and to increase our retail market presence.

Part of our marketing strategy in doing so includes the expansion of our retail outlet business, in which we currently own and operate one (1) retail outlet, opened in June 2014 in Solaris Mont Kiara. We have entered into a Memorandum of Understanding with MyAngkasa, a wholly-owned subsidiary of the National Cooperative Organisation of Malaysia, in relation to a proposed partnership to establish a chain of retail outlets on 8 October 2013. Pursuant thereto, MyAngkasa has submitted a proposal to the National Cooperative Organisation of Malaysia to invest in 30% of the equity interests in Alphacare, whereby this proposal is expected to be completed by the second quarter of 2015.

We intend to establish this chain of retail outlets through licensing arrangements. Based on preliminary discussions, the proposed chain of retail outlets are expected to be based on our existing "LifeSprings" retail outlet. As at the LPD, discussions on the licensing arrangements are still on-going and no agreements have been entered into.

MyAngkasa has also assisted us to invite the individual members of its member cooperatives to be members of our "LifeSprings" retail outlet with certain membership privileges. This has enabled us to tap onto MyAngkasa's wide membership base as potential LifeSprings' customers.

We believe these retail outlets will enable us to boost our revenues generated from products sold under our house brands as we will be able to secure key display locations for our house brand products within these retail outlets.

6. BUSINESS OVERVIEW (Cont'd)

(v) Development of agricultural land

In 2014, we were appointed by ECERDC as an Anchor Company to invest, develop and manage Pasir Raja Land. Our participation in this initiative will assist the Government in boosting the herbal agriculture industry through creation of new jobs and development of human resources, alongside securing the supply of herbal plants for our manufacturing of herbal supplement products. As an Anchor Company, we shall, amongst others, perform the following:

- (a) construct, complete, operate and/or maintain the equipment, infrastructure and utilities, including a primary processing plant as mentioned below and other facilities (if required);
- (b) cultivate, individually and/or jointly through contract farmers, herbs such as kacip fatimah, hempedu bumi, misai kucing and dukung anak; and
- (c) appoint, supervise, train and/or manage contract farmers to produce and supply herbs through cultivation of herbal plants on Pasir Raja Land in accordance with our specifications and requirements, whereby we shall purchase such products which have been produced/supplied in accordance with our specifications and requirements.

The Pasir Raja Land is equipped with facilities for water irrigation, fertiliser storage and residences for farm workers, which provides us with the advantage of not having to set up such facilities at our own cost.

Over the next two (2) years, we will be implementing a farming schedule for phase 1 of the Pasir Raja Land of approximately 123.5 acres, for which we estimate to invest approximately RM1 million from our internally generated funds for this purpose.

We expect our first harvest of herbal plants from our herb farm on Pasir Raja Land by the fourth quarter of 2015. Pursuant thereto, we intend to set up a primary processing plant on Pasir Raja Land for the cleaning, drying and packing of herbs harvested from our herb farm. Construction of the primary processing plant is expected to commence after our first harvest and is expected to be completed within a period of six (6) months from the date of commencement. Prior to the set-up of the primary processing plant, the harvests from our herb farm on Pasir Raja Land will be processed at our Semenyih plant.

The construction of the primary processing plant is estimated to cost approximately RM1.5 million, while the machinery for the plant is estimated to cost an additional RM1.5 million, of which the total cost of RM3 million will be funded through our IPO proceeds. Please refer to Section 3.5(i) of this Prospectus for further details of the construction costs and machineries for the primary processing plant.

In addition to the cultivation of herbal plants as a source of raw materials as well as additional revenue from sales of the processed herbs, as manager of the integrated herbal cluster, we intend to provide employment opportunities to the local farmers to cultivate herbal plants on the remaining 879.7 acres of Pasir Raja Land under phase 2 of the development.

6. BUSINESS OVERVIEW (Cont'd)

(vi) Attainment of SAMM accreditation for our laboratory facility

We intend to upgrade our laboratory facility in our Bangi plant to attain the SAMM accreditation. SAMM or the National Laboratory Accreditation Scheme is administered by the SAMM National Council under the jurisdiction of the Ministry of Science, Technology and Innovation to accredit testing laboratories or calibration centres. SAMM accredited laboratories are certified to perform biological and microbiological testing, where it provides the following validations:

- Laboratory has been independently assessed for technical competence;
- Tests were performed in accordance with the stated specification, method and environment;
- Test samples or products were handled and stored appropriately;
- Equipment utilised were calibrated correctly;
- Appropriate QC procedures were performed; and
- Test reports accurately describe the test results.

We intend to commence upgrading of our laboratory facility in the second quarter of 2015, which is expected to be completed within one (1) year. In order to attain the SAMM accreditation, we will be required to purchase the necessary equipment and upgrade our facility. We estimate that this will cost approximately RM0.4 million, which will be funded through our IPO proceeds.

With a SAMM accredited laboratory, we will be able to perform in-house biological and microbiological testing on samples and attain a test report which will be recognised by MOH. Pursuant thereto, we will no longer be required to allocate resources to outsource the testing of our samples to third party SAMM accredited laboratories, thereby increasing the efficiency of our manufacturing and product formulation processes.

(vii) Expansion of our production lines to include a fully-automated liquid bottling line

Our Bangi plant presently has a semi-automated liquid bottling production line, and we intend to expand our production lines to include a fully-automated liquid bottling line in order to cater for amongst others, large orders from our existing customers which we have not been able to do so in the past. The fully-automated liquid bottling production line is expected to have a monthly capacity of 2.08 million units, as compared to the monthly capacity of our semi-automated liquid bottling production line of 0.12 million units.

We expect to complete installation of this new production line and commence production by the second quarter of 2015. This production line costs approximately RM2 million and is funded through our internally generated funds. The expansion of our production lines to include this new fully-automated liquid bottling production line is expected to generate increased revenues, particularly for our ODM business.