

**7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT**

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16 MAR 2015

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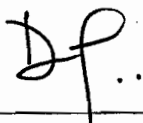
Dear Sirs,

**Executive Summary of the Independent Market Research Report on the Health Supplement Market, Health Supplement Manufacturing Industry and the Retail Market in relation to:**

**Public issue of 100,000,000 new ordinary shares of RM0.05 each in Bioalpha Holdings Berhad in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad**

This Executive Summary of the Independent Market Research Report on the Health Supplement Market, Health Supplement Manufacturing Industry and Retail Market is prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus of BIOALPHA HOLDINGS BERHAD.

For and on behalf of SMITH ZANDER:



DENNIS TAN  
MANAGING PARTNER

# 1 DEFINITION AND SEGMENTATION

## The Pharmaceutical Industry

The pharmaceutical industry refers to the research, development, manufacturing and commercialisation of drugs and health supplement products. The pharmaceutical industry can be broadly segmented into four (4) categories, based on its product classification:

- **Health supplements**

Health supplements consist of two (2) broad categories of products, i.e. herbal and non-herbal supplements, as well as functional foods. Herbal and non-herbal supplements refer to dietary and nutritional supplements which are used to boost an individual's nutritional intake and/or offer the potential of improved health and/or reduced risk of disease. Herbal and non-herbal supplements are typically found in tablet and capsule dosage forms and examples of these products include vitamins and mineral dietary supplements, as well as traditional herbs found in capsule forms.

Meanwhile, functional foods can be broadly defined as food which is intended to be consumed as part of a normal diet and contains biologically active components which offer the potential of improved health and/or reduced risk of disease<sup>1</sup>. Some examples of functional foods are soy-based food, honey, oats, herbal and non-herbal concentrates such as chicken essence and fish collagen concentrate, beverages fortified with traditional herbs such as 'ginseng', 'spirulina', 'Kacip Fatimah' and 'Misai Kucing', as well as other food-based products such as chocolates and oats which are fortified with traditional herbs such as 'Tongkat Ali', 'Acai berry' and 'wolfberry'.

- **Botanical drugs**

Botanical drugs refer to drugs derived from herbal materials which are used to treat diseases. Typically, botanical drugs can both be dispensed over-the-counter in retail pharmacy stores and food and health retail stores, when they have been approved by the relevant authorities for self-diagnosis and self-medication, as well as through a registered medical practitioner's prescription. Botanical drugs would have undergone extensive research and development, as well as pre-clinical and clinical trials prior to being approved with a country's Food and Drug Administration ("FDA") agency, or equivalent organisation. The pre-clinical and clinical studies will also substantiate its claims for treatment of a particular disease as well as establish a standard dosage requirement for the product. These types of drugs may be administered through solution, powder, tablet, capsule, or injection dosage forms. Botanical drugs are a new alternative to conventional chemically-synthesized drugs and hence, there are not many of such products in the market. In the United States of America ("United States"), there are two (2) botanical drugs which have been approved by the United States FDA for commercialisation, i.e. "Veregen<sup>®</sup>" which is a botanical drug for treatment of genital warts, as well as "Fulyzaq" which is an anti-diarrhea drug for HIV patients<sup>2</sup>.

<sup>1</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

<sup>2</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

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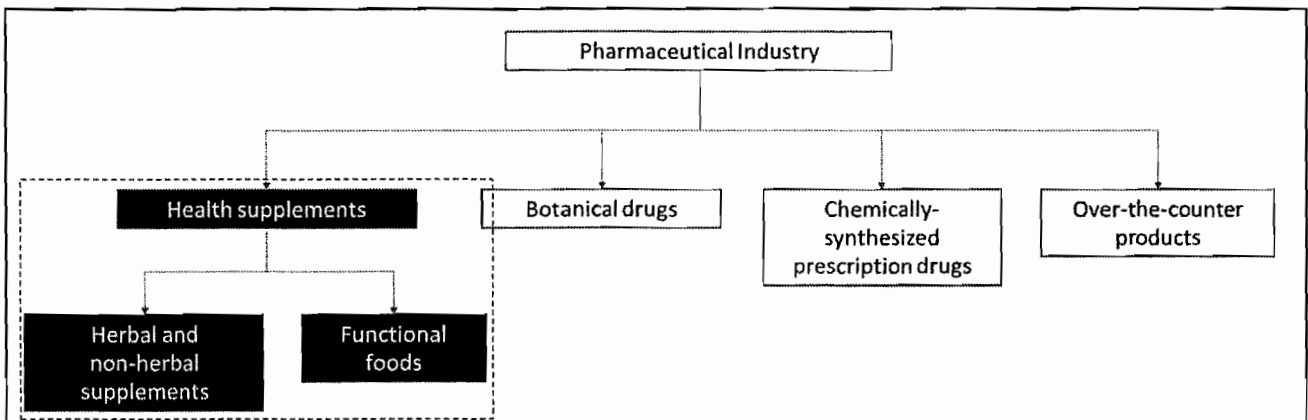
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- **Chemically-synthesized prescription drugs**

Chemically-synthesized prescription drugs are drugs which have undergone pre-clinical and clinical trials prior to being approved and are regulated by the respective country's regulators, and are to be obtained only with a prescription from a registered medical practitioner or a registered pharmacist. Chemically-synthesized prescription drugs comprise both original and generic drugs. Original prescription drugs are a result of extensive research and development by a pharmaceutical company, as well as pre-clinical and clinical trials on animals and humans prior to being approved for us. On the other hand, generic prescription drugs are duplicate copies of original prescription drugs manufactured by a company other than the original manufacturer when the patent for the drug owned by the original manufacturer has expired. A generic prescription drug thus contains the same active ingredients as its original prescription drug, and is identical in its function and efficacy. Chemically-synthesized prescription drugs include drugs that typically treat common but serious illnesses such as diabetes and hypertension, as well as drugs that are used in the treatment of chronic diseases such as cardiovascular diseases and cancers.

- **Over-the-counter ("OTC") products**

OTC products are drugs or medicines which are sold directly over the counter to consumers and can be sold without a prescription by a healthcare professional. OTC products are drugs which have also undergone pre-clinical and clinical trials prior to being approved and are regulated by the respective country's regulators but these products are considered to be safe for self-diagnosis and self-medication. At times, OTC products are a result of extensive market use of a chemically-synthesized prescription drug, which enables regulators to determine that the product is safe to be dispensed without prescription. Thus, these products may be sold in places such as retail pharmacy outlets, as well as food and health retail stores. Examples of these products include paracetamol, probiotics, medicated plasters with medicines and cough syrups.

**Segmentation of pharmaceutical industry****Notes:**

----- Industry segment where Bioalpha Holdings Berhad competes in.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

The segment within the pharmaceutical industry that are of interest in this report is the health supplement industry as it is the segment in which Bioalpha Holdings Berhad is principally involved in.

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**The Health Supplement Industry**

Health supplement intakes are viewed as a way to maintain general wellness without having to make drastic lifestyle changes. Health supplements consist of two (2) broad categories of products, i.e. herbal and non-herbal supplements, as well as functional foods. These products are generally manufactured using herbal and non-herbal materials, and are generally consumed for the purpose of maintaining and improving health conditions.

Herbal materials refer to plant-based or botanical active ingredients. Herbal active ingredients basically contain biologically active compounds or phytochemicals, such as polyphenols in fruits, isoflavones in the legume soy and beta-carotene in vegetables, which offer the potential of improved health or reduced risk of disease. Meanwhile, non-herbal materials are active compounds found in non-plant based sources including animals and other sources such as pearls and corals.

In general, health supplements are sold in two (2) forms, i.e. semi-finished health products and finished health supplement products. Semi-finished health products refer to herbal and non-herbal products either in its dried form or extract form. Dried semi-finished health products have undergone primary processing which include cleaning, drying, cutting and / or grinding. Semi-finished products in an extract form are typically formulated ingredients which have undergone a process to extract its active compounds. These semi-finished products are used as raw materials in the manufacturing of finished health supplement products. On the other hand, finished health supplement products refer to packed and processed health supplements, and these products have taken a dosage form (i.e. tablet and capsule) or a functional food form.

**Health benefits of herbal and non-herbal materials**

Evidence is beginning to emerge showing that the consumption of certain food and their constituents can have certain physiological effects, as well as general health maintenance. Below are examples of herbal and non-herbal materials, as well as their health functions:

**Selected types of herbal materials**

Product	Examples of Claimed Health Functions
<i>Cordyceps sinensis</i>	Traditionally used for the restoration of energy, respiratory benefits and anti-oxidant properties
<i>Lignosus rhinocerus</i>	Traditionally used to improve stamina and vitality, and for its anti-oxidant properties
<i>Grifola frondosa</i>	Traditionally used to improve immune system
<i>Lentinula edodes</i>	Traditionally used to improve immune system and may potentially assist with blood cholesterol regulation
<i>Cordyceps militaris</i>	Traditionally used to improve male reproductive health and for its respiratory system benefits and anti-oxidant properties
<i>Ganoderma lucidum</i>	Traditionally used to improve immune system
Tongkat Ali	Traditionally used as an aphrodisiac, and for the treatment of fever, boils, ulcer, syphilis, bleeding gums, dysentery, glandular swelling, aches and edema

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Kacip Fatimah	Traditionally consumed for induction and facilitation of labour, as well as the treatment of flatulence, dysentery, dysmenorrhea, gonorrhoea and prevention of bone-related concerns which are caused by the lack of estrogen such as osteoporosis.
Misai Kucing	Traditionally used to treat tonsillitis, fever, influenza, menstrual disorders, gonorrhoea, syphilis, renal calculus, gallstones, lithiasis, rheumatism, diabetes, hypertension, epilepsy, edema, hepatitis and jaundice. It is also used as an adjuvant in minor urinary tract illnesses.
Hempedu Bumi	Provides blood pressure regulation, treatment of diabetes, cancer and common flu, anti-inflammatory properties
Roselle	Contains anti-oxidant properties and is used as an antibacterial and antifungal. It is traditionally used for the treatment of kidney stones. It is also used for its hypocholesterolemic, diuretic, uricosuric and laxative effects.
Ginger	Traditionally used as a carminative to prevent formation or facilitate expulsion of gas in the gastrointestinal tract, as well as relieve indigestion and stomach ache.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

## Selected types of non-herbal materials

Active Ingredient	Examples of Claimed Health Functions
Fish Oil	Regulates inflammation and blood pressure (facilitates blood thinning), encourages hormone production and increasing immune and central nervous system activities.
Calcium	Development and maintenance of bones and teeth
Vitamin A	Supports vision and prevents drying of cornea, and maintains epithelial tissues. It is also required for the growth of bones, teeth and soft tissues.
Vitamin C	Has antioxidant properties, and is involved in the production of collagen and elastin.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

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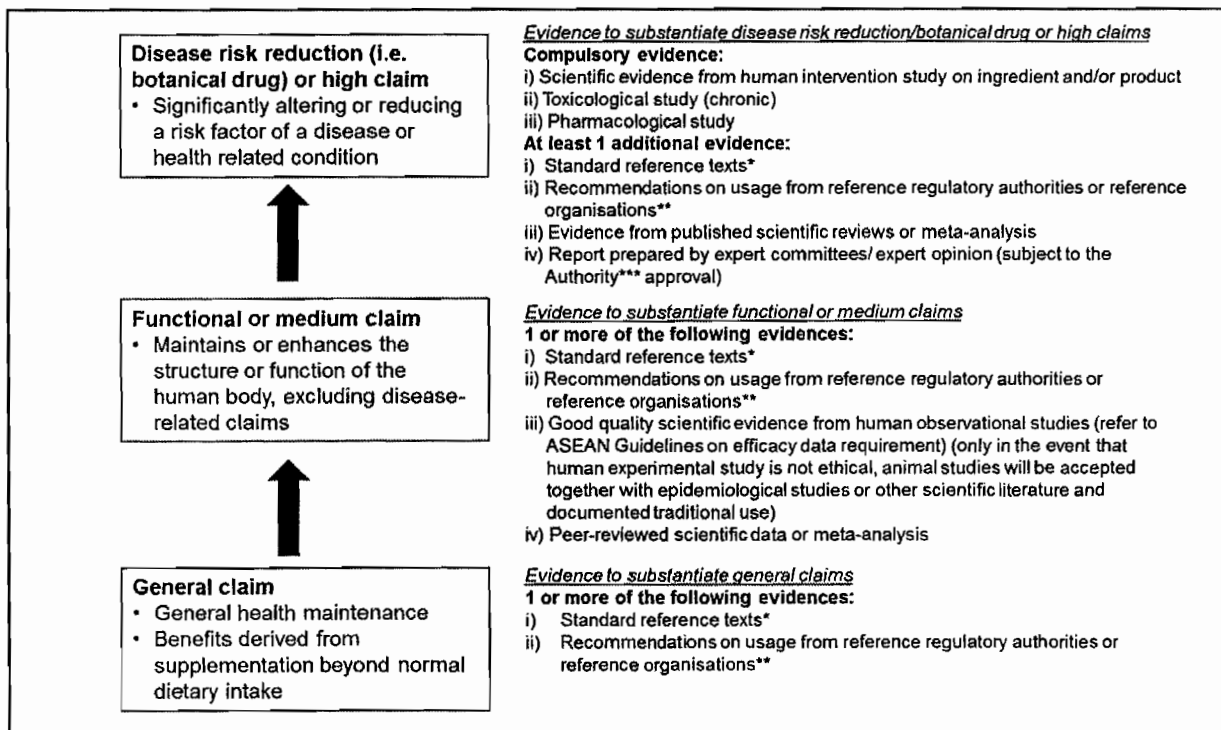
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**Health supplement health claims in Malaysia**

In order for consumers to make informed choices in purchasing health supplements, and ensure health supplement manufacturers produce health supplements that are consistent with their claims, health supplement products must be registered with the National Pharmaceutical Control Bureau ("NPCB"), Ministry of Health ("MOH") Malaysia prior to its commercialisation in the market, with the appropriate health claims. Health claims refer to the representation or message which states the health benefit of consuming a particular product.

The following depicts the type of health claims for health supplements and the evidences required to substantiate the claims:

**Notes:**

\* Examples of reference texts are "The ABC Clinical Guide to Herbs. American Botanical Council", "World Health Organisation Monographs on Selected Medicinal Plants", "British Pharmacopoeia", and "United States Pharmacopoeia".

\*\* Reference regulatory authorities refer to "Australia Therapeutic Goods Administration", "Chinese Health Authority on Chinese Medicinal Herbs", "European Commission", "Health Canada" and "United States Food and Drug Administration", while reference organisations include, but are not limited to, "American Botanical Council", "American Nutraceutical Association", and "Global Information Hub for Integrated Medicine" ("GlobinMed").

\*\*\* Authority refers to Drug Control Authority ("DCA"), NPCB.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

**Value chain of the health supplement industry**

There are generally five (5) segments in the health supplement industry value chain – namely raw material supply, research and development, manufacturing, distribution and retail.

As these health supplements are sourced from herbal and non-herbal materials, the first segment of the health supplement industry consist of the raw material suppliers. Suppliers of herbal materials either cultivate their own herbal plants or source these herbal plants from nature (e.g. wild herbs). Suppliers that cultivate their own herbal plants are typically required by their customers to ensure that the plants are safe from harmful pesticides and fertilisers.

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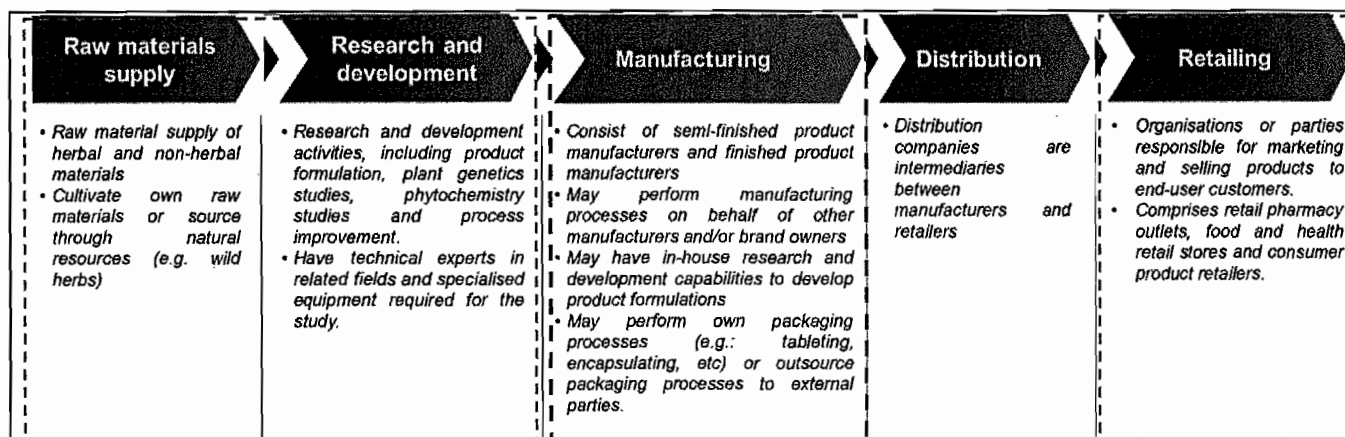
The research and development segment consists of companies and organisations which focus on the research of raw material extracts, product formulations and other related areas. These research and development companies and organisations have the technical expertise and equipment required to perform research and development studies such as plant genetics, phytochemistry and process improvement studies.

In the manufacturing stage, there are two (2) types of manufacturing processes involved, i.e. semi-finished product manufacturing and finished product manufacturing. Semi-finished products are usually sold to other manufacturers and used as raw materials for further manufacturing into finished products. Health supplement products are manufactured based on product formulations which are either developed in-house by the manufacturers, or outsourced to a research and development organisation typically also known as a contract research organisation or a clinical research organisation.

Distributors comprise the fourth segment within the health supplement industry, and are intermediaries between manufacturers and retailers, and are responsible for distributing the finished products to retailers for onward sales to retail customers. Distributors typically purchase wholesale from manufacturers in bulk and distribute to retail outlets and retail pharmacy outlets who sell the products into the consumer market.

The retail segment of the health supplement industry consist of enterprises or companies involved in the marketing and sale of products to consumers and end-user customers. These enterprises or companies consist of retail pharmacy outlets, food and health stores, as well as consumer product retailers.

Industry value chain of the health supplement industry



Notes

■ denotes Bioalpa Holdings Berhad's principal activities

□ denotes other business activities which Bioalpa Holdings Berhad is involved in

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

Bioalpa Holdings Berhad is principally involved in the manufacturing of both semi-finished and finished health supplements in Malaysia, while it also has its own herb farm for internal supply of certain herbal raw materials and research and development functions to support its operations.

## 2 OVERVIEW OF THE HEALTH SUPPLEMENT MARKET

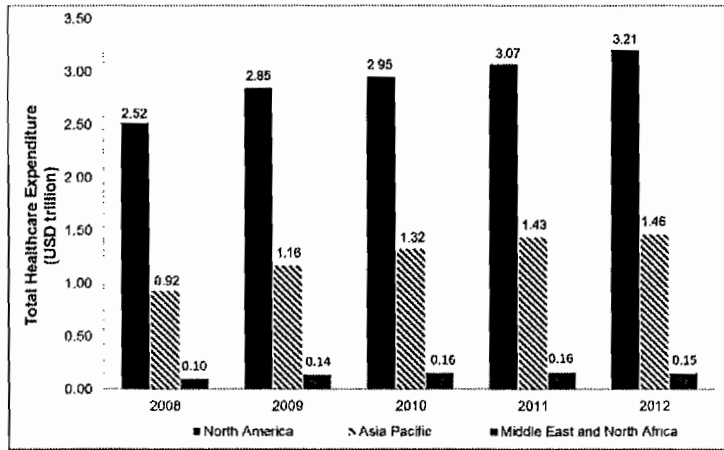
### The Global Health Supplement Market

In the context of this report, healthcare expenditure is defined as the provision of both preventive and curative healthcare products and services, including nutrition activities, family planning activities, and emergency aid.

Healthcare expenditure has been growing across global regions, illustrating that there is growing accessibility to healthcare-related product and services, coupled with an increase in health awareness within the global society. The higher awareness worldwide has consequently led to increases in acceptance and adoption of products with health benefits, and this has led to a growing increase in demand for health supplement products. Between 2008 and 2012, healthcare expenditure in the North America increased from USD2.52 trillion (RM8.40 trillion<sup>3</sup>) to USD3.21 trillion (RM9.92 trillion<sup>4</sup>), growing at a Compound Annual Growth Rate ("CAGR") of 6.24% over the same time period.

Meanwhile, Asia Pacific illustrated a CAGR of 12.24% in terms of total healthcare expenditure, growing from USD0.92 trillion (RM3.07 trillion<sup>3</sup>) in 2008 to USD1.46 trillion (RM4.51 trillion<sup>4</sup>) in 2012. Total healthcare expenditure in the Middle East also grew, as it increased from USD0.10 trillion (RM333.19 billion<sup>3</sup>) in 2008 to USD0.15 trillion (RM463.50 billion<sup>4</sup>) in 2012, at a CAGR of about 10.67%.

**Total healthcare expenditure (North America, Asia Pacific, Middle East and North Africa), 2008-12**



Note:

Latest publicly available information is 2012

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

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<sup>3</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2008 of USD1=RM3.3319

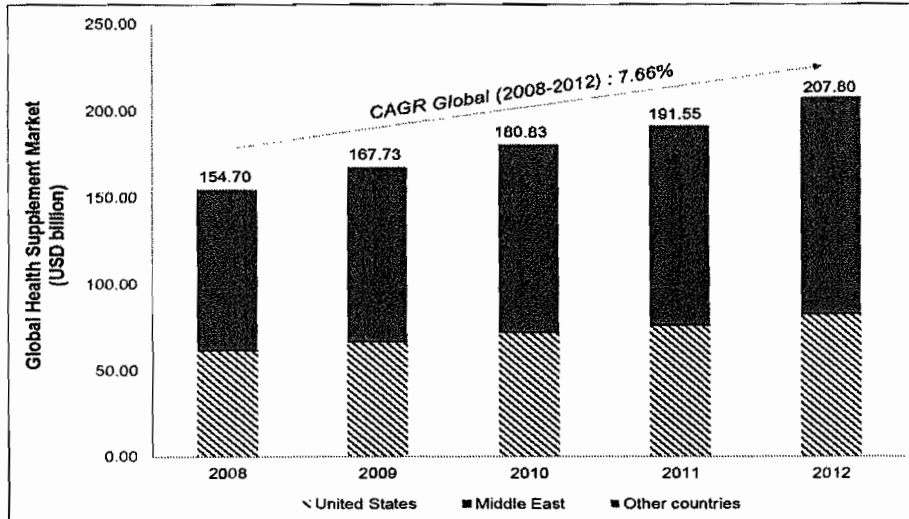
<sup>4</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2012 of USD1=RM3.090



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## Health supplement market size (Global, United States and Middle East), 2008-12



Note:

Latest publicly available information is 2012

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

approximately 53% of the total health supplement market, while sales of herbal and non-herbal supplements contributed approximately 47% to the health supplement market.

The global health supplement market is still in its growth stage, and much of its growth is attributed to a number of key factors including the rise of the affluent population, urbanisation and increasing awareness of chronic illness. The rise of the affluent population globally is in line with increasing disposable incomes and urbanisation in most countries, prompting purchases on health supplement products. Concurrently, due to a more educated population, consumers are increasingly gaining awareness of the overall importance of health, and the benefits of health supplement products to promote healthier living.

The health supplement market in the United States is one of the largest markets globally for health supplement products, and it comprised approximately 40% of the global health supplement market in 2012, where it stood at approximately USD82.05 billion (RM253.53 billion<sup>4</sup>). Meanwhile, the health supplement market in the Middle East region was estimated to be USD1.29 billion (RM3.99 billion<sup>4</sup>) in 2012.

The global health supplement market denotes the consumption of health supplements worldwide, and is measured by the volume of sales of health supplement products. The global health supplement market grew from USD154.70 billion (RM515.44 billion<sup>3</sup>) in 2008 to USD207.80 billion (RM642.10 billion<sup>4</sup>) in 2012, registering a CAGR of 7.66% during the period. In 2012, sales of functional foods comprised

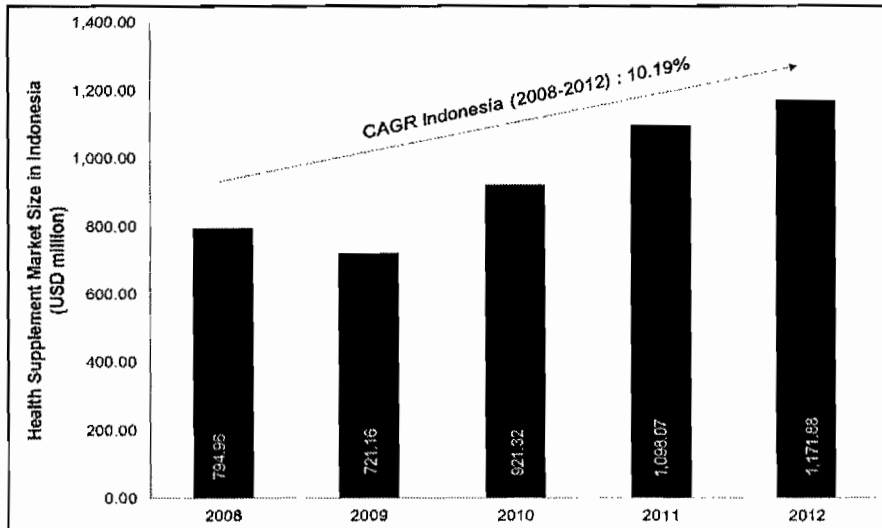
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**The Health Supplement Market in Indonesia**

The health supplement market in Indonesia grew from USD794.96 million (RM2.65 billion<sup>3</sup>) in 2008 to USD1.17 billion (RM3.62 billion<sup>4</sup>) in 2012, registering a CAGR of 10.19% between the same period. Much of this growth is attributed to the same factors driving the global demand for health supplements. Indonesians, particularly middle to high income earners, are increasingly gaining awareness on preventive health measures, and are becoming more receptive towards health supplement products. This

**Health supplement market size (Indonesia), 2008-12**

Note:

Latest publicly available information is 2012

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

is also in line with the rising urbanisation within the country. Indonesia's population in 2013 was 249.90 million persons<sup>5</sup> and the percentage of urban population within the country was approximately 50%<sup>6</sup> during the same time period, translating to about 124.95 million persons in urban areas. Indonesia's large population and strong internal consumption indicates rising market potential for health supplement products.

The health supplement industry in Indonesia is

at a relatively young development stage and as a result, a large proportion of consumption of health supplements in Indonesia remains largely dependent on imports. Furthermore, there are yet to be proper guidelines, regulations and standards in place to regulate the industry in Indonesia. Nevertheless, in May 2013, Indonesia's Food and Drug Agency announced its intentions to adopt the terminology in the Association for Southeast Asian Nations ("ASEAN") harmonization regulation for "traditional medicine health supplements", and this regulation is expected to be implemented by 2015. With these guidelines, regulations and standards governing the health supplement industry in Indonesia, the standard and quality of health supplement products available in Indonesia is expected to improve, consequently leading to an increase in acceptance of health supplements amongst the local population.

<sup>5</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

<sup>6</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

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## The Health Supplement Market in Malaysia

Malaysia is a newly industrialised country with a growing economy and increasing wealth. The country is supported by a large productive population (aged 15-64 years) and a high employed segment, which contributes to the increasing wealth of the population and a growing middle income group. Its Gross domestic production ("GDP") per capita is higher than in most Southeast Asian countries with the exception of Singapore and Brunei.

## Socioeconomic indicators (Malaysia), 2009 and 2013

Indicators	2009	2013
<b>GDP (RM billion)</b> (current prices)	712.86	986.73 <sup>(a)</sup>
<b>GDP per Capita (RM)</b> (current prices)	25,385.00	32,984.00 <sup>(a)</sup>
<b>Population (million)</b>	28.08	29.95
0-14 years (%)	28.01	26.04
15-64 years (%)	67.14	68.46
65 years and above (%)	4.85	5.50
<b>Total Employed (million)</b>	10.90	13.21
<b>Household Income Distribution<sup>(b)</sup>:</b>		
RM2,999 and below	38.50%	
RM3,000- RM7,999	46.10%	
RM8000 and above	15.40%	

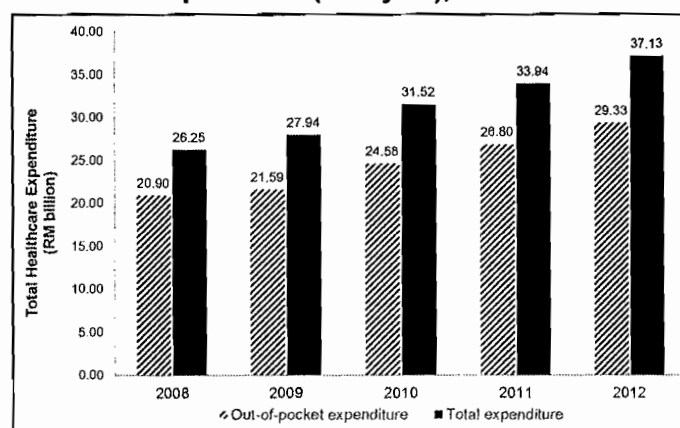
Note:

(a) 2013 data is a projection

(b) Latest publicly available data is 2012.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

## Healthcare expenditure (Malaysia), 2008-12



Note:

Latest publicly available information is 2012

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

Malaysia has a low population base as compared to other Southeast Asian countries but is nonetheless growing. However, its ageing population (65 years and above) is around 5.50% of the total population in 2013, which is an increase from 4.85% in 2009. Meanwhile, the percentage of younger population in the country has decreased from 28.01% in 2009 to 26.04% in 2013.

With an increasing ageing population and decreasing younger population segment, there is a greater risk of illnesses and diseases such as cardiovascular diseases, cancers and other age-related diseases. The increased cases of illnesses and diseases within the country is expected to lead to a greater awareness of the importance of staying healthy and thus, benefitting the health supplement industry. Furthermore, as the country develops further, its disposable income will further increase, and this would inevitably increase the purchasing power of Malaysians, including for healthcare-related products such as health supplements.

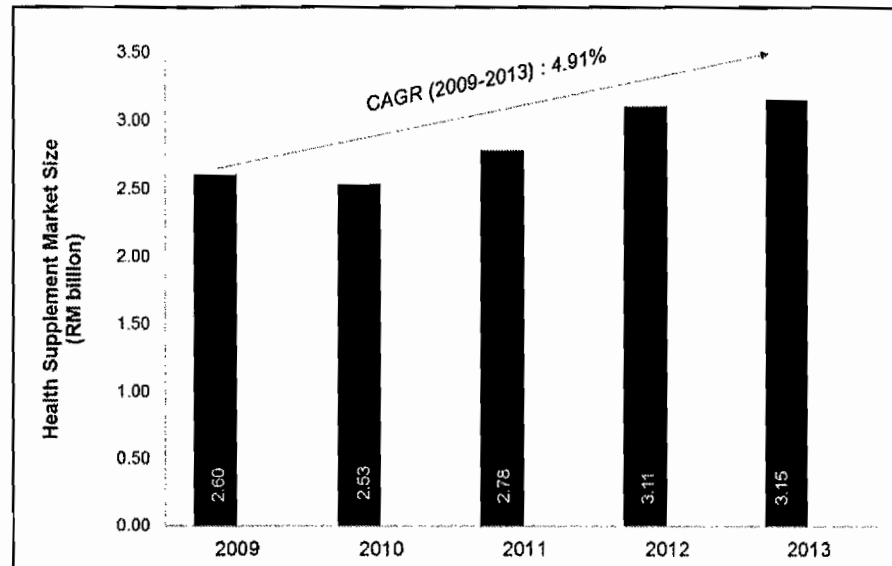
As defined earlier in this report, healthcare expenditure refers to the provision of both preventive and curative health products and services, including nutrition activities, family planning activities, and emergency aid. Malaysia's total healthcare expenditure illustrated a CAGR of 9.09% between 2008 and 2012, from RM26.25 billion in 2008 to RM37.13 billion in 2012. Out of this total expenditure, about 80% are generated

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from private expenditure. The strong growth in healthcare expenditure, specifically private expenditure, is reflective of the country's demand for healthcare products, including health supplements as these products form a part of total healthcare expenditure. As such, this illustrates that Malaysians are becoming increasingly health conscious as well as aware and receptive of products with health benefits. This in turn is expected to contribute to the future growth in market demand for health supplement products.

Health supplement market size (Malaysia), 2009-13



Note:

Latest publicly available data is 2013 as at 9 February 2015

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

The health supplement market size in Malaysia is defined as the sum of domestic manufacturing by local industry players and imports, net of any exports by local industry players, and denotes consumption of health supplement products in the country. This is to be differentiated from the health supplement manufacturing industry to be discussed in Chapter 3, where it represents the revenues earned from the manufacturing of health supplements by local industry players.

The consumption of health supplements in Malaysia has demonstrated positive growth over the last five (5) years, from RM2.60 billion in 2009 to RM3.15 billion in 2013, representing a CAGR of 4.91% or an overall growth of 21.15% in five (5) years.

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### 3 ANALYSIS OF THE HEALTH SUPPLEMENT MANUFACTURING INDUSTRY IN MALAYSIA

#### Introduction

The health supplement manufacturing industry in Malaysia is in its growth stage. In 2012, there were about 170 licensed health supplement manufacturers registered with the NPCB, MOH Malaysia.<sup>7</sup> Many of these manufacturers are able to fully undertake the manufacturing process from processing of raw materials to the packaging of finished products.

Over the years, the health supplement manufacturing industry in Malaysia has developed in terms of its manufacturing and product formulation processes. For example, today, herbal products are not just sold as dried semi-finished herbal products, but is also further processed into herbal extracts which are more potent and has better absorption rates. In addition, through extensive research and studies on herbal and non-herbal active ingredients, health supplement manufacturers are also able to combine these active ingredients to provide end-user customers or consumers with various health benefits. This has resulted in the increase in efficacy of these herbal and non-herbal active ingredients.

With the continuous effort on the industry players' part to develop their technologies and products, coupled with the support provided by the Government of Malaysia in terms of funding and growing health supplement consumption, the health supplement manufacturing industry in Malaysia is expected to continue to demonstrate further potential for growth.

#### Demand Conditions: Key Demand Drivers

##### Increasing income of the population signifies growth potential for health supplements

Malaysia is an upper-middle income developing economy with aspirations to achieve developed status by the year 2020. GDP per capita increased by 30.93% from approximately RM25,385 in 2009 to RM33,236 in 2013 while purchasing power parity ("PPP") per capita income increased by 26.20% from approximately USD14,063 (RM49,552<sup>8</sup>) to USD17,748 (RM55,926<sup>9</sup>) during the same period.

The Economic Transformation Programme ("ETP") (2011-2020) was launched in an effort to promote Malaysia into an inclusive and sustainable high-income country by the year 2020. The ETP is a comprehensive initiative comprising 131 high impact projects under 12 economic focus areas that have the potential to stimulate economic growth. The implementation of the ETP will allow Malaysia to be closer to achieving its goal of raising the per capita disposable income of the population to approximately RM48,000 by 2020.<sup>10</sup> The Government expects Malaysia to achieve GDP growth of between 5% and 5.50% in 2014 despite the uncertainty in global economic outlook. Private investments are also targeted to rise by 12.70% to reach RM153.0 billion in 2014. In order to achieve a per capita income of RM48,000, the Government intends to attract RM1.4 trillion in investments, which is expected to create 3.3 million jobs, of which 60% are expected to be in high value sectors under the 12 economic focus areas under ETP.

This increase in income is leading to a rise in a more affluent population that has greater spending power. As a result, consumer purchases are diversifying from staple food products to more expensive and quality purchases, which include products with health benefits such as herbal and non-herbal supplement products, as well as functional foods. An increase in demand for these health supplement products will contribute to the overall growth of the domestic health supplement manufacturing industry.

<sup>7</sup> Latest publicly available information is 2012 as at 3 March 2015

<sup>8</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2009 of USD1=RM3.5236

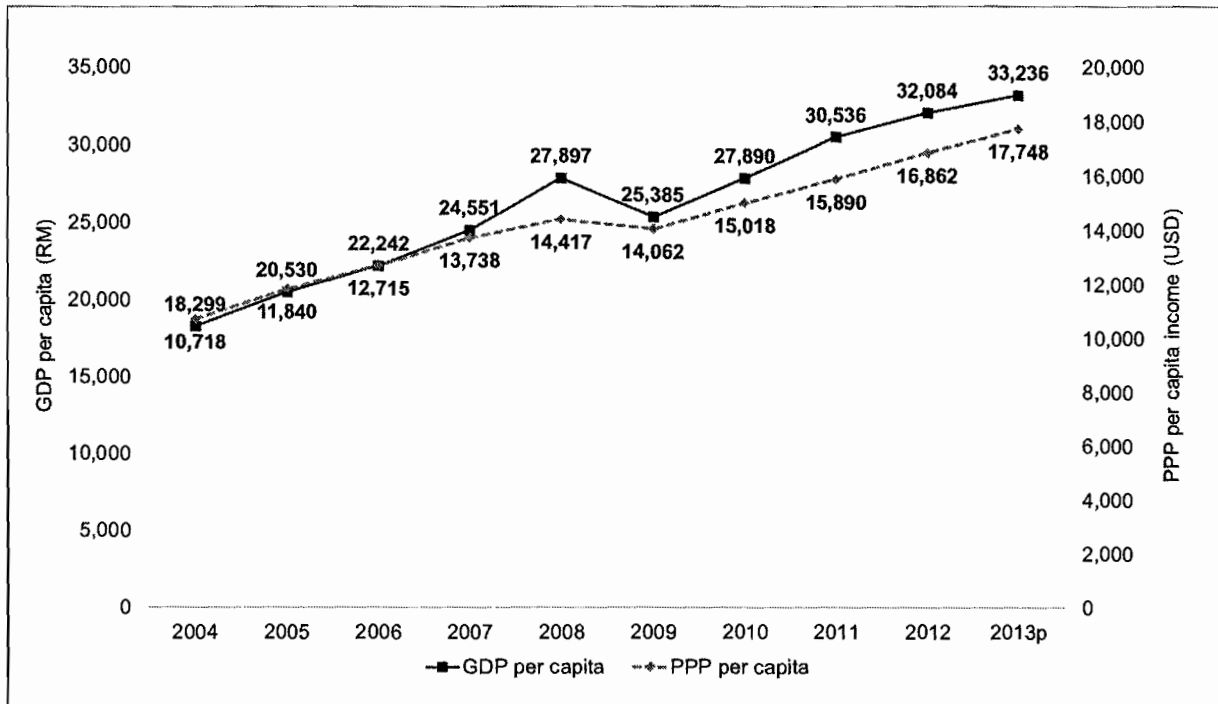
<sup>9</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2013 of USD1=RM3.1511

<sup>10</sup> Extracted from the Independent Market Research Report by SMITH ZANDER.

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## Growth in disposable income – GDP per capita and PPP per capita (Malaysia), 2004-13p



Source: Extracted from the Independent Market Research Report by SMITH ZANDER

#### Increasing rates of chronic diseases and infections raising health awareness and thus, driving demand for health supplement products

There is also increasing incidences of chronic lifestyle diseases mainly attributable to the leading of a more stressful lifestyles, consumption of processed foods which generally have higher saturated fat content and lower nutritional values, and a more sedentary lifestyle with lack of regular exercise. As a result, there has been an increase in chronic diseases such as hypertensive diseases and cancer. In addition, there is also an increased threat from viral influenza infections and other acute respiratory infections.

The MOH recorded increases in mortality rate where hypertensive diseases (particularly heart and renal and renal cases) and cancer (malignant neoplasm) amongst patients in Government hospitals increased from 0.05% and 16.14% in 2006 to 0.13% and 19.30% in 2012, respectively. Mortality rates due to influenza, pneumonia and other acute lower respiratory infections likewise increased from 8.92% in 2006 to 10.22% in 2012.

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**Chronic diseases number of deaths or mortality rate in Government hospitals (Malaysia), 2006 and 2012**

Types of chronic diseases and infections	2006		2012	
	Number of deaths	Mortality rate (%)	Number of deaths	Mortality rate (%)
Hypertensive disease (heart and renal/ renal)	13	0.05	39	0.13
Influenza, pneumonia and other acute lower respiratory infections	2,376	8.92	2,997	10.22
Cancer (Malignant neoplasm)	4,299	16.14	5,590	19.30

Note:

Latest publicly available data is 2012

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

The National Health and Morbidity Survey in 2011 also showed that about 27.20% of adults above 18 years old are obese. This is an alarming situation where the number of obese adults had grown from 4% in 1996 to 14.00% in 2006 and to 27.20% in 2011, and is thus becoming a concern as an increase in obesity is an indicator of future increases in incidence of chronic diseases such as diabetes, high blood pressure, heart disease and cancer.

This growing trend of chronic lifestyle diseases and obesity concerns, as well as increasing rate of viral and other acute respiratory infections, could heighten Malaysia's awareness in preventive healthcare, and with the increase in demand for health supplement products, the health supplement manufacturing industry is expected to benefit as well. The growing access, through the Internet, of scientific evidence linking dietary habits to health is also a major contributor to the increased health awareness, and thus creating demand for health supplements and consequently driving the health supplement manufacturing industry.

**Rapid urbanisation and an ageing society is expected to continue to drive the increase in health awareness and subsequently the market acceptance of health supplements**

The average age of the population in Malaysia has increased over the years. Malaysia's percentage of young population (0 to 14 years) in the country has decreased from 28.01% in 2009 to 26.04% in 2013 while its ageing population (65 years and above) has increased from 4.85% of the total population in 2009 to 5.50% of the total population in 2013. This is expected to drive the health supplement manufacturing industry as the older generation are generally more health conscious with greater awareness of their mortality, creating higher demand for healthcare-related products including herbal and non-herbal supplements, as well as functional foods.

Rapid urbanisation has also led to a change in lifestyle of the population in Malaysia, to becoming increasingly busy as more women join the labour workforce and people work longer hours. As such, convenience has become essential, leading to an increase in the intake of processed and fast foods, and a sedentary lifestyle. This growing change in lifestyle is a concern in all developing countries as the population finds it increasingly difficult to balance their health with their stressful lifestyles. In this aspect, health supplements, particularly herbal and non-herbal supplements, is a time-saving avenue for individuals to supplement their nutritional requirements which they lack due to their hectic schedules.

**7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)****SMITH ZANDER**

As the population in Malaysia become increasingly aware of the benefits of health supplements, it is expected that they will become more receptive to the consumption of health supplement products. Furthermore, it should also be noted that the working population in Malaysia (15 to 65 years) comprise the largest proportion in the country, i.e. 68.46% in 2013<sup>11</sup>, and thus an increase in the adoption rate of health supplements in this segment of the population will increase the sales of health supplements significantly.

**Health-oriented campaigns and events which promote health awareness leading to an increase in health supplement consumption**

The Government of Malaysia, through MOH, plays a pivotal role in increasing the health awareness amongst its population in the country. The MOH has been diligently organising various health-oriented campaigns and events, with the main aim of promoting preventive health measures. Among some of the campaigns and events MOH has organised in the past include campaigns on increasing awareness on cancer, oral health, heart health, mental health, sexual health, as well as anti-smoking campaigns, free medical check-ups and health talks.

In addition, non-governmental organisations (“NGO”) such as the National Cancer Society Malaysia and the National Heart Association of Malaysia, have also contributed in raising health awareness through their initiatives to organise health-oriented campaigns. These campaigns and events generally aim to raise overall health awareness of the population, and the health supplement manufacturing industry indirectly benefits from such programmes.

**Government incentives in light of promoting the health supplement manufacturing industry**

The Government of Malaysia has identified the health supplement manufacturing industry as a new source of wealth for Malaysia.<sup>12</sup> In light of this, the Government of Malaysia has launched national initiatives to promote the development of health supplement products and support the growth of the health supplement manufacturing industry as a whole.

The national initiatives set out by the Government of Malaysia supports all industry segments of the health supplement manufacturing industry, including raw materials cultivation and farming, research and development, and manufacturing of health supplement products.

There are several Government initiatives to support and promote herbal cultivation and farming, as listed below:

**a) East Coast Economic Region Development Council (“ECERDC”)**

The ECERDC herbal industry project is expected to generate a Gross National Income of RM3.25 billion by 2020, assisting the country to create over 2,500 new jobs and 530 contract farmers.<sup>13</sup> The herbal industry will thus supply the cultivated raw materials to the health supplement manufacturing industry players to manufacture herbal-based supplements and functional food products. Other incentives enjoyed by companies who participate in this initiative include tax exemptions for 10 years. Appointed industry players in this project will also provide training in farming techniques to contract farmers and satellite farmers with the aim of achieving higher productivity.

<sup>11</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

<sup>12</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

<sup>13</sup> Extracted from the Independent Market Research Report by SMITH ZANDER



**b) Bio Desaru**

Besides federal initiatives, there are also state initiatives such as the Johor State government embarking on a fully integrated agro-based development project based in South-Eastern Johor called Bio Desaru in order to fulfil state and national objectives under the National Biotechnology Policy.<sup>14</sup> Johor Biotechnology and Biodiversity Corporation have been given the task of developing about 10,000 acres of land designated for Bio Desaru. Bio Desaru is intended to be a regional Green Food Hub and an Agro-Tourism Centre which integrates modern biotechnology and agro-culture. This will be especially beneficial to the health supplement manufacturing industry as herbs that are used as raw materials are cultivated in herb farms in Bio Desaru.

These initiatives in herbal cultivation and farming are expected to benefit health supplement manufacturing industry players in ensuring consistent quality supply of herbal active ingredients. In addition, the Government of Malaysia has also appointed organisations as well as created programmes to spearhead the growth of research and development within the health supplement manufacturing industry. Among some of these programmes and organisations include:

**a) Entry Point Project ("EPP") 1**

The EPP 1 under the ETP, driven by the Performance Management Delivery Unit ("PEMANDU"), aims to improve product quality and marketing efforts of dietary and herbal supplements to tap into the global demand for "high-value herbal products" (which are herbal-based nutraceuticals or health supplement products and botanical drugs with scientifically backed claims). This initiative involves the appointment of health supplement manufacturers as Anchor companies to spearhead the development, including marketing and branding of "high-value herbal products".

Under this initiative, a grant is given to each Anchor company to carry out pre-clinical and clinical trials on their herbal supplement products. Once the pre-clinical trials are completed, these manufacturers can then launch their health supplements as premium products as they are considered health supplements with functional claims (i.e. medium claims). At the end of the clinical trial stage, the product would have sufficient scientific claims to be registered as a botanical drug.

**b) Malaysian Technology Development Corporation ("MTDC")**

The Government set up MTDC in 1992 to promote the adoption of technologies by local companies through the commercialisation of local research and inventions, and investment in new technologies from abroad. Under the 10<sup>th</sup> Malaysia Plan, the role of MTDC has been expanded to create an effective ecosystem for commercialisation of home-grown technologies in order to groom a new generation of "Technopreneurs" (i.e. technology entrepreneurs) through comprehensive nurturing services that support them across the value chain, from laboratory ideas to commercialisation. Furthermore, MTDC has now evolved to become an Integrated Venture Capital Solutions Provider, of which it manages grants, venture capital funds, technology centres and nurtures technology companies.

<sup>14</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

SMITH ZANDER

Some of the funding schemes and grants provided by MTDC are as follows:

**Equity Funding and Grants provided by MTDC**

Fund name	Purpose of funding	Maximum amount per company
Technology Acquisition Fund ("TAF")	Acquisition of foreign technology through licensing of technology or outright purchase of technology	RM2.0 million or 50% of the eligible expenses (whichever is lower)
Commercialisation of R&D Fund ("CRDF")	Commercialisation of local R&D	For any local R&D by a Small Medium Enterprise ("SME"): RM4 million or 70% of the eligible expenses (whichever is lower) For any public non-SME: RM4.0 million or 50% of the eligible expenses (whichever is lower)
Business Start-Up Fund ("BSF")	Support and encourage new start-ups of technology-based companies	RM5 million or maximum of 90% of the total project cost (whichever is lower).
Business Growth Fund ("BGF")	Provide follow-on funding to previously successful grant recipient companies in order to accelerate development of local high-tech companies for R&D and commercialisation and help companies bridge from grant to venture capital financing	-(a)
Bumiputera Expansion Fund ("BEF")	Support Bumiputera business entities to expand their businesses internationally	Up to RM15 million

Note:

(a) Information not publicly available

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

**c) Malaysian Biotechnology Corporation Sdn Bhd ("MBC")**

MBC is an agency under the purview of the Ministry of Science, Technology and Innovation ("MOSTI") to execute the objectives of the National Biotechnology Policy. The objective of the establishment of MBC, amongst others, is to nurture and support the growth of biotechnology companies, and to actively promote foreign direct investments in the biotechnology sector.

The BioNexus status is a recognition awarded by the Government of Malaysia, through the MBC, to qualified companies that participate in and undertake value-added biotechnology activities in focus areas specified by MBC.

**7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)****SMITH ZANDER**

BioNexus status companies enjoy a set of privileges and incentives contained within the BioNexus Bill of Guarantees such as the freedom to source funds globally, to bring in knowledge workers, receive assistance for international accreditation and standards, access to shared laboratories and other related services, strong intellectual property regime, as well as eligibility for competitive incentives and other assistance.

Part of the competitive incentives enjoyed by BioNexus status companies include the following, amongst others:

- An exemption from tax on 100% statutory income;
  - For a period of ten (10) consecutive years of assessment from the first year the company derived statutory income from the new business; or
  - For a period of five (5) consecutive years of assessment from the first year the company derived statutory income from the existing business and expansion project.
- An exemption of 100% statutory income derived from a new business or an expansion project that is equivalent to an allowance of 100% of qualifying capital expenditure incurred for a period of five (5) years.
- A BioNexus status company is entitled to a concessionary tax rate of 20% on statutory income from qualifying activities for ten (10) years upon the expiry of the tax exemption period.
- Tax exemption on dividends distributed by a BioNexus status company.
- Exemption of import duty and sales tax on raw materials/components and machinery and equipment.
- Double deduction on expenditure incurred for R&D.
- Double deduction on expenditure incurred for the promotion of exports.
- Buildings used solely for the purpose of biotechnology qualifying activities will be eligible for Industrial Building Allowance to be claimed over a period of 10 years.
- A company or an individual (that carry on business) investing in a BioNexus status company is eligible for a tax deduction equivalent to the total investment made in seed capital or early stage financing.

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## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

SMITH ZANDER

## d) MOSTI

MOSTI provides funds in various areas of biotechnology to support the development of the biotechnology industry:

**Grants provided by MOSTI**

Fund name	Purpose of funding	Maximum amount per company
TechnoFund	Funding for technology development, up to pre-commercialisation stage	RM1.5 million to RM3.0 million (depending on the merit of the proposal)
Science Fund	To support research that can lead to innovation of products or processes for further development or commercialisation, and/or to generate new scientific knowledge and strengthen national research capacity and capability	RM500,000
InnoFund	To increase participation from micro businesses/individuals, and encourage technological participation of new or existing products, process or services for commercialisation	Individual/ sole proprietor: RM50,000  Micro/ small businesses: RM300,000

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

The grants and incentives awarded by the above governing bodies encourages health supplement manufacturing industry players to spearhead R&D projects and initiatives to develop new product formulations and enhance manufacturing technologies. This provides the industry players with the opportunity to play a key role in further developing the health supplement manufacturing industry in Malaysia, while benefiting from the incentives provided by the governing bodies, with opportunities for increased revenue as a result of the R&D projects and initiatives undertaken.

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## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

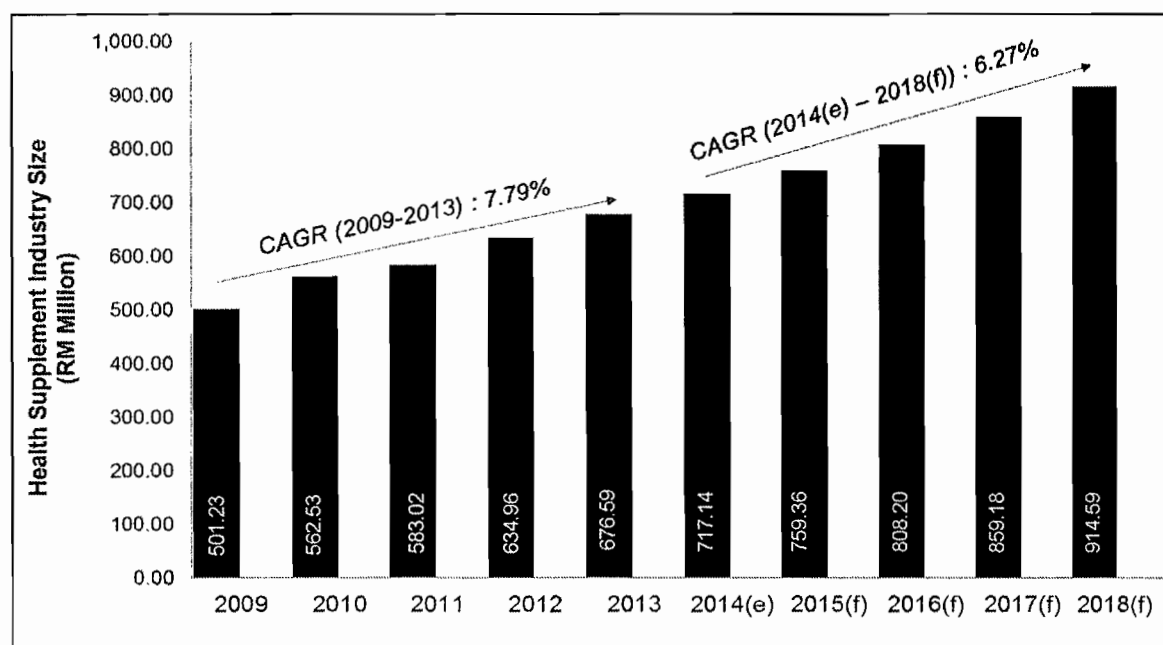
SMITH ZANDER

**Industry Size, Outlook and Prospects**

The health supplement industry has been identified by the Government of Malaysia to be a new emerging sector for development, as it is classified as EPP 1 under the ETP. The health supplement manufacturing industry is in its growth stage, and thus has potential for further growth to cater for increasing local and international demand. The industry size for the health supplement manufacturing industry in Malaysia can be measured based on revenues of identified industry players. SMITH ZANDER has identified 131 industry players comprising:

- (i) industry players registered with NPCB (as at 2012, which was the latest available list provided by the NPCB as of August 2014)<sup>15</sup>; and
- (ii) industry players identified based on the list of health supplement companies awarded with BioNexus status as well as through SMITH ZANDER's independent primary and secondary research.<sup>16</sup>

Based on the revenues of these 131 identified industry players, the health supplement manufacturing industry size increased from approximately RM501.23 million in 2009 to approximately RM676.59 million in 2013, at a CAGR of 7.79%. The industry size in 2013 is the latest available as the financial year ended ("FYE") 2013 is the latest year where financial information of the identified industry players are available.

**Health Supplement Manufacturing Industry Size (Malaysia), 2009-18(f)**

Note:

Latest available data is 2013 as at 9 February 2015.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

<sup>15</sup> While there were 170 companies registered with the NPCB (as at 2012), 113 players were verified to be in active operations and were revenue generating companies. The remaining 57 companies were either non-revenue generating based on their audited accounts filed with SSM, or there was no publicly available information on them to verify their scope of operations and/or their financial results, and thus they were excluded from the computation of industry size.

<sup>16</sup> There are 18 identified industry players based on the list of health supplement companies awarded with BioNexus status as well as through SMITH ZANDER's independent primary and secondary research. As the latest available list of health supplement companies registered with the NPCB is as at 2012, SMITH ZANDER was unable to verify if these 18 players are presently registered with the NPCB. However, on the basis that they were either BioNexus status companies and/or their operations in the manufacturing of health supplements were verified, these companies were included in the computation of industry size.

## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

**SMITH ZANDER**

As with all consumer goods, the historical growth trend of health supplements is reflective of Malaysia's economic growth, where there was a slower growth in 2011 due to the European sovereign debt crisis during the period which affected the global economy. Nevertheless, the health supplement manufacturing industry in Malaysia demonstrated resilience during this period, posting growth of 3.71% between 2010 and 2011. Overall, the industry grew by 34.99% during this period.

In 2014, the health supplement manufacturing industry in Malaysia was estimated to have risen to RM717.14 million. SMITH ZANDER forecasts the health supplement manufacturing industry to grow to RM914.59 million by 2018, representing a CAGR of 6.27% between 2014 and 2018. This is driven by the increasing income of the population, rapid urbanization in the country, an ageing society as well as overall increased health awareness in Malaysia. In addition, the health supplement manufacturing industry is also expected to continue to benefit from Government initiatives, incentives and grants for the development and commercialisation of health supplement products.

### Key Supply Conditions and Dependencies

#### Availability of raw materials and supplies

The raw materials used in the manufacturing of health supplement products in Malaysia are primarily herbal and non-herbal extracts or active ingredients, and these include herbal active ingredients such as medicinal mushrooms (e.g. *C. sinensis* and *L. rhinoceros*), Tongkat Ali, Misai Kucing, Hemptu Bumi and Kacip Fatimah, as well as non-herbal active ingredients such as fish oil, collagen and pearl powder.

Most of these active ingredients and supplies are generally readily available, and health supplement manufacturers typically source these raw materials and supplies from local suppliers and importers. However, health supplement manufacturers must ensure the quality of these active ingredients and supplies as the product manufactured must be compliant with the safety requirements set out by the authorities. In order to ensure the quality of their raw materials, there are also certain health supplement manufacturers who cultivate their own raw materials, particularly herbal ingredients which can be easily cultivated in Malaysia's tropical climate.

#### Availability of labour and equipment for the manufacturing of health supplement products

Health supplement manufacturing is typically a semi-automated process, as it requires both human labour and equipment. Equipment utilised in the manufacturing of health supplement products include, amongst others, mixers, encapsulation equipment, tableting equipment and tablet counting equipment. As most industry players typically manufacture products based on various product formulations and their products may be manufactured in different product dosage forms (e.g. capsule, tablet, sachet and teabag dosage forms), human labour is required to transfer mixtures or compounds from one equipment to another. Both equipment and labour required in the manufacturing of health supplement products are readily available, with equipment available for purchase from local suppliers and importers, and domestic and foreign workers hired as labour for the manufacturing process.

#### Product / Service Substitution

Health supplement products are products which are consumed to maintain general wellness and are typically consumed to "supplement" the intake of certain active compounds or phytochemicals. Examples of some of these active compounds include polyphenols in fruits, isoflavones in the legume soy and beta-carotene in vegetables. These active compounds are typically found in certain food products, or are extracted from herbal and non-herbal materials to manufacture health supplement products. As such, other than the food products, there is no direct substitute for health supplement products.

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### Reliance and Vulnerability to Imports

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The health supplement market in Malaysia has historically witnessed substantial imports. In 2013, total imports of health supplement products in Malaysia was valued at RM4.83 billion. This is largely due to two (2) main factors, namely that the domestic market in Malaysia is receptive to foreign brands of health supplement products, and that the domestic health supplement manufacturing industry is still a relatively young and growing industry. Among Malaysia's largest importers are the US and China, collectively comprising approximately 20% of imports into Malaysia in 2013.

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### Relevant Laws and Regulations

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Some of the key regulations, acts, standards and guidelines which health supplement manufacturers have to adhere to are as follows:

#### Food Act 1983

The Food Act 1983 protects the public against health hazards and fraud in the preparation, sale and use of food and for other related products. While herbal and non-herbal supplement products are governed by the NPCB, functional food products are considered as food products and are thus governed by this Act. The Act grants any medical officer or health inspector from the MOH or any other local authority, or any suitably qualified person appointed by the authorised officer, to enter any premises which he believes to be food premises in order to examine any food found or take samples of the food; stop, search and detain any aircraft, ship, vehicle as well as open and examine any package which he believes to contain food; as well as seize and detain for such time food which he believes to have contravened this Act. This Act sets out the requirements for food premise conditions as well as the offences for sale and marketing of food products. In any proceedings under the Food Act in relation to the food product, the Certificate of Analysis is sufficient for the disclosure of product information, unless the information can be rebutted from other reliable evidences.

#### Control of Drugs and Cosmetics Regulations 1984

According to the Control of Drugs and Cosmetics Regulations 1984, the DCA is the authority established for the purpose of this Regulation. The Control of Drugs and Cosmetics Regulations 1984 states that no person shall manufacture, sell, supply, import or possess or administrate any pharmaceutical product unless the product is a registered product and the person holds the appropriate licenses issued under this Regulation. This Regulation encompasses all pharmaceutical products, including traditional medicine and homeopathic medicine. This Regulation also highlights that the Director of Pharmaceutical Services, which is a member of the DCA, has the right to issue written directives or guidelines to any persons or group of persons which he deems necessary for the better carrying out of the provisions under the Regulation. In light of this, the Director of Pharmaceutical Services has issued the Drug Registration Guidance Document which states the evaluation standards required for a product to be registered.

**Drug Registration Guidance Document**

The Drug Registration Guidance Document is issued by the Director of Pharmaceutical Services under Regulation 29, Control of Drug and Cosmetics Regulation 1984, and NPCB reserves the right to amend any part of the document wherever it deems fit.

Products have to meet the evaluation standards listed in the Drug Registration Guidance Document in order to be registered. For traditional and health supplement products, some of the key standards which manufacturers must comply with are as follows:

- **Good Manufacturing Practice**
  - The compliance to the GMP is a pre-requisite for the application of a product registration. GMP is a standard that should be followed by manufacturers of a registered pharmaceutical or traditional product to ensure that the product manufactured is safe, efficacious and of quality. The Centre for Compliance and Licencing ("CCL") is responsible for GMP inspections of manufacturers of registered products to ensure manufacturers' compliance towards the GMP requirements. GMP certificates are issued for the purpose of exportation of locally manufactured registered products. It endorses that local manufacturers complies with the current GMP requirements and these certificates are required by overseas regulatory agencies for product registrations in their countries.
  
- **Product indications**
  - There must be indications that the product is either to be used as a health supplement or is a vitamin or mineral for pregnant and lactating women.
  
- **Active ingredients used in the products:**
  - Recommended dosages must not exceed maximum daily levels of vitamins and minerals stated in the Drug Registration Guidance Document by NPCB.
  
- **Product claims**
  - There are three (3) types of health supplement product claims, i.e. general or nutritional claims, functional claims (medium claims), disease risk reduction claims (high-claims).
  - Disease risk reduction claims or high-claims can only be made if there are evidences to substantiate these claims.
  - For general or nutritional claims and functional claims, a minimum of 15% of the Codex Nutrient Reference Value per daily dose of vitamins and/or minerals.
  - All claims must be consistent with the definition of health supplement, enable consumers to make informed choices, not be misleading or false, support the safe, beneficial and appropriate use of the product, maintain the level of scientific evidence which is proportionate to the health claims, be for maintenance and promotion purposes only and must not be medicinal or therapeutic in nature such as implied for treatment, cure or prevention of illness.
  - For natural products, NPCB has implemented drug registration guidelines listing all products that are prohibited under the traditional medicine section, as well as labelling guidelines of specific warnings and statements with regards to functional claims on health supplements. In Malaysia, health claims on nutraceutical products are monitored, and the marketing and sale of these products are regulated to protect the interest of consumers. The indications acceptable for traditional products are limited to categories such as:



**7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**

SMITH ZANDER

- General health maintenance
  - Blood and body fluid
  - Bone, muscle and joint
  - Pain and fever
  - Cough and cold
  - Digestive system
  - Women's health
  - Men's health
  - Skin and external usage
- 
- **Product labelling and packaging inserts**
    - Product labelling must follow the standard labelling requirements stated.
    - All information must be truthful and not misleading to consumers
    - Packaging inserts is required to include the list stated. Examples of some of these requirements are brand or product name, name and strength of active substance(s), dose or usage instructions, warnings and precautions and interaction with other medication(s).

**Certificate of Free Sale**

A Certificate of Free Sale is issued by the Malaysia External Trade Development Corporation ("MATRADE") to facilitate exporters from Malaysia in exporting local household products to countries which require such certificates. It assures the importing countries that the respective product has been sold freely in the country of origin. This certificate is only for finished household products which are manufactured locally. Amongst some of the pre-requisites for obtaining a Certificate of Free Sale include a letter of application containing the product information and the importing country, manufacturing license or standards or business license (which includes the GMP) or Certificate of Free Industrial Zone, brochures and pamphlets of the products, as well as past invoices of the products.

**Medicines (Advertisement and Sale) Act 1956 (revised 1983)**

Advertising for pharmaceuticals in Malaysia are governed by the Medicines (Advertisement and Sale) Act (revised 1983). It is a requirement that all advertisements on pharmaceuticals, which includes health supplement products, are approved by the Medicine Advertisements Board. According to this Act, any article(s) must not lead to the description of the product as a medicine, or as an appliance or remedy for the purpose of treatment or prevention of diseases or conditions, unless it has been approved by the Medicine Advertisements Board.

## Competitive Landscape

In 2012, there were approximately 170 health supplement manufacturers registered with the NPCB.<sup>17</sup> However, for the purpose of this report, 131 industry players were identified as health supplement manufacturers, based on the explanation provided in **Chapter 3 – Industry Size, Outlook and Prospects** of this report.

The health supplement manufacturing industry includes industry players which are involved in contract manufacturing and industry players which manufacture their own house brand of products, as well as industry players which are involved in both of these activities.

Out of the 131 identified health supplement manufacturing industry players, only one (1) is a foreign industry player and its parent company is headquartered in Singapore. The remaining industry players are local companies, and some have ventured overseas.

The health supplement manufacturing industry is moderately fragmented, with a majority of industry players consisting of SMEs. The industry is in its growth stage, and as such the industry size is expected to grow in line with the growing demand for health supplement products locally as well as internationally.

## Key Industry Players

There are generally three (3) types of industry players in the health supplement manufacturing industry in Malaysia, i.e. (i) industry players which are involved in contract manufacturing of finished health supplement products and manufacturing of semi-finished products which are sold to other manufacturers for further processing; (ii) industry players which are involved in the manufacturing of their own house brand products, or are manufacturing arms of large health supplement retailers; (iii) industry players which are involved in both contract manufacturing as well as the manufacturing and sale of their own house brand products. Some of these health supplement manufacturing industry players also have the capability to perform their own research and development activities on product formulations, while others outsource their research and development activities to third party research and development organisations.

Many of the larger health supplement manufacturing industry players are typically manufacturing arms of larger establishments with retail businesses in health supplement products and/or who own their own retail outlets which extends their reach to end-user customers or consumers.

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<sup>17</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

**7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**

**SMITH ZANDER**

A list of major selected health supplement manufacturing industry players in Malaysia is shown as follows:

- Bioalpha Holdings Berhad
- CS Progyms Pharmaceutical Sdn Bhd
- DXN Pharmaceutical Sdn Bhd
- Ecolite Biotech Manufacturing Sdn Bhd
- Exclusive Mark Sdn Bhd
- Gano Excel Industries Sdn Bhd
- Herbal Science Sdn Bhd
- J.B. Pharmacy Group Sdn Bhd
- Len Fa Medical Supplies (M) Sdn Bhd
- Syarikat Wen Ken Drug Sdn Bhd
- The Origin Foods Sdn Bhd
- Thoyyib Pharma Industries (M) Sdn Bhd
- Weng Li Sdn Bhd
- Yanling Natural Hygiene Sdn Bhd

*Note:*

*Includes selected key industry players registered with the NPCB and with revenue of RM10 million and above in the latest financial year end available*

*Source: Extracted from the Independent Market Research Report by SMITH ZANDER*

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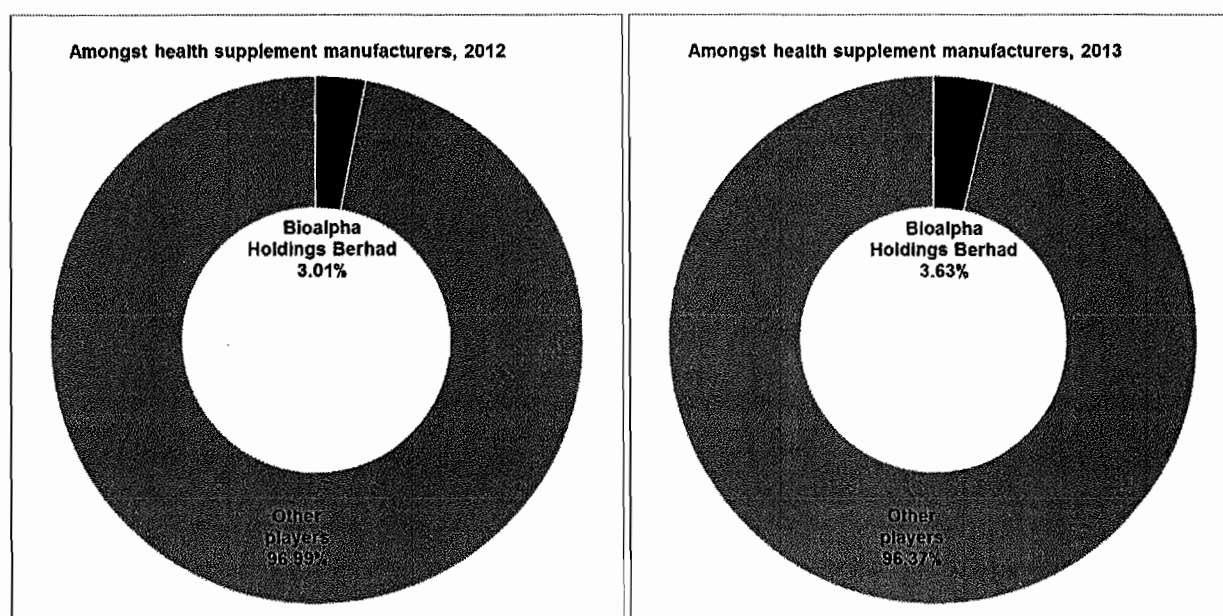
## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

SMITH ZANDER

**Market Share**

In 2013, which is the latest available as the FYE 2013 is the latest year where financial information of the identified industry players are available, the health supplement manufacturing industry size in Malaysia was approximately RM676.59 million. Bioalpha Holdings Berhad had a market share of 3.63% in 2013, based on its revenue of RM24.57 million in FYE 31 December 2013.

This is an increase from the previous year, where Bioalpha Holdings Berhad garnered a market share of 3.01% based on its revenue of RM19.12 million in FYE 31 December 2012 and an industry size of RM634.96 million in the year.

**Health supplement manufacturing industry – Market share (Malaysia), 2012 and 2013**

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

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## 4 OVERVIEW OF THE RETAIL MARKET IN MALAYSIA

### Definition and Segmentation

The retail sector in Malaysia is an integral component of the nation's economy and the fourth largest contributor to GDP after oil and gas, agriculture and manufacturing. The retail landscape in Malaysia has transformed in the last decade with modern retail formats increasing in dominance over small family-owned and operated shops. The launching of large shopping malls has increased the lifestyle elements of shopping in Malaysia, with retail concepts carefully chosen to target specific consumer groups. Globalisation has also brought foreign players, franchises and new retail concepts into the retail market in Malaysia. In the Asia Pacific region, Malaysia has the largest share of foreign grocery retailers on its shores, with retailers such as Tesco and Aeon Big (formerly known as Carrefour), being the mainstays of the sector following the positive effects of liberalised business policies implemented in 1995.

The retail sector in Malaysia is led by large chains of hypermarkets and supermarkets, who are typically grocery retailers, which collectively contribute to approximately 15% of total retail earnings. The grocery retail segment also include traditional retailers such as independent small grocers, and food, beverage and tobacco specialists. Major non-grocery retailers include mixed retailers and specialists providing apparel, health and beauty, home and garden, electronics and appliances, and leisure and personal goods.

Technology has also been a key factor affecting retail sales and has broadened distribution channels, with internet-savvy youths and young adults contributing to growth in online retail transactions through various electronic commerce ("e-commerce") platforms. Internet retailing is appearing as a significant retail channel for non-grocery products and there are a large number of internet retailers that carry out business transactions via social media channels such as Facebook. Several large and established retailers are also responding to the growth of e-commerce by adding internet retailing as a channel for online purchases. By 2020, approximately 54% of Malaysia's population will be below the age 30<sup>18</sup> alluding to the fact that a large percentage of the population would have been raised in an environment where online transactions is the norm.

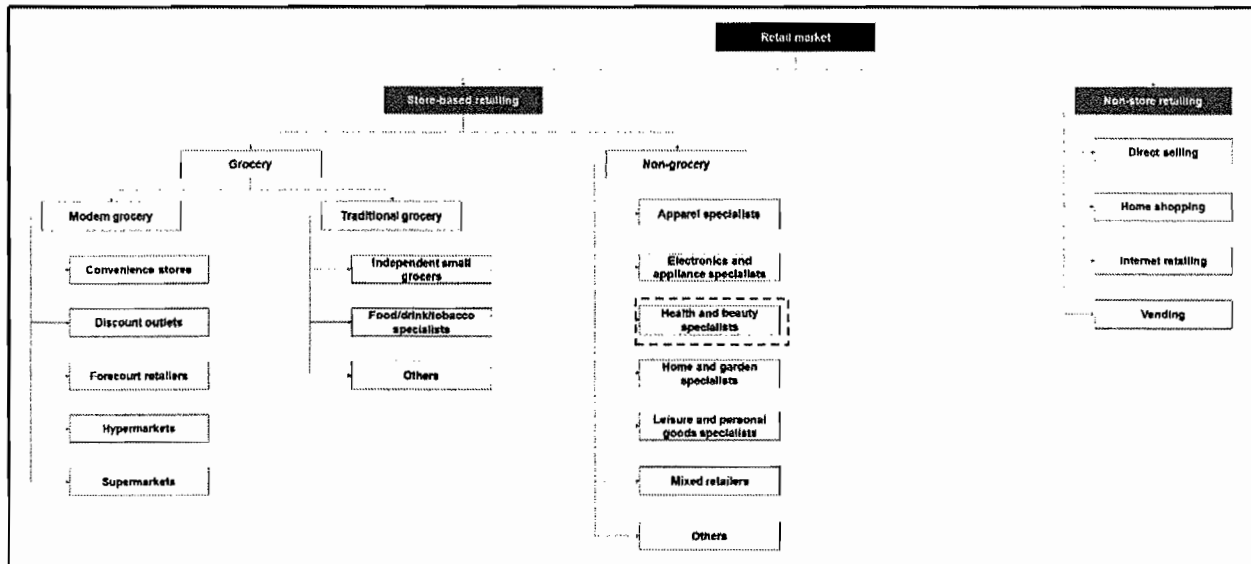
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<sup>18</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

SMITH ZANDER

## Retail market in Malaysia – market segmentation



Note:

Market segment where Bioalpha Holdings Berhad currently competes in.

Source: Extracted from the Independent Market Research Report by SMITH ZANDER

With its house brand products, Bioalpha Holdings Berhad operates within the health and beauty specialist category in the retail market in Malaysia.

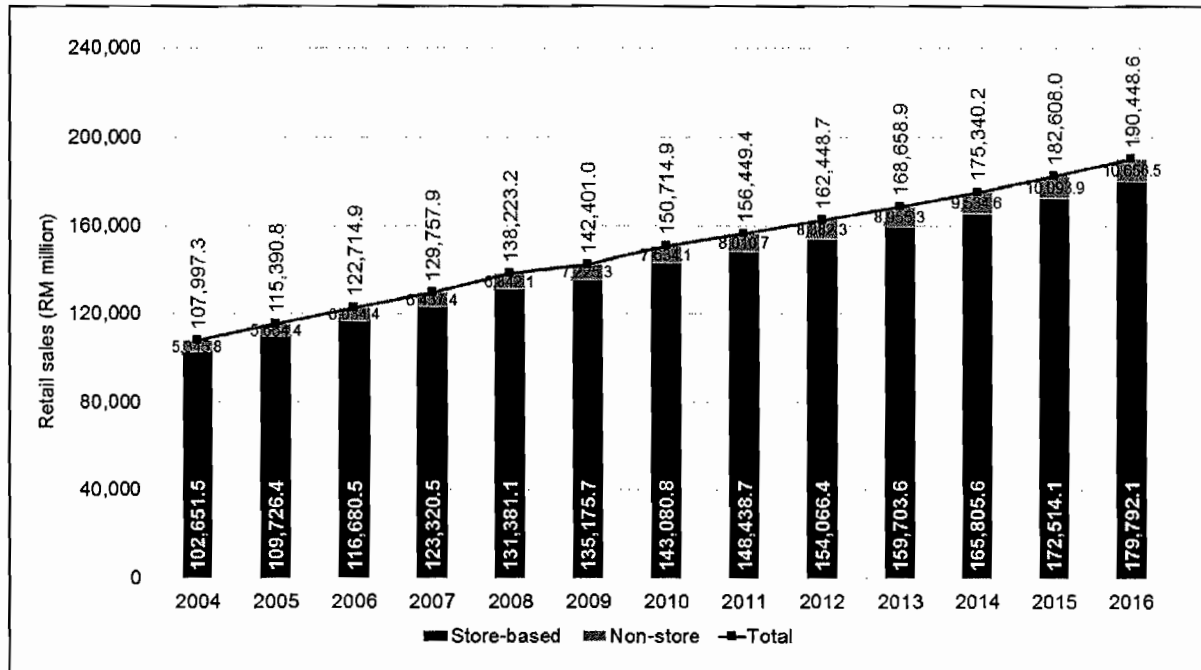
### Market Size and Growth Prospects

The retail market in Malaysia, measured by the value of retail sales, grew from RM108.0 billion in 2004 to RM168.7 billion in 2013 at a CAGR of 5.08%. Store-based retailers comprised 94.69% of total retail sales in 2013, having recorded a growth from RM102.7 billion to RM159.7 billion between 2004 and 2013 at a CAGR of 5.03%. Non-store retailing comprised a smaller 5.31% of total retail sales and grew at a rate of 5.90% between the same period of 2004 and 2013. The largest segment of non-store retailing in 2013 was direct selling which formed 82.80%, this channel witnessed the highest growth rate of 19.17% between 2004 and 2013. Retail sales in Malaysia is expected to grow from RM168.7 billion in 2013 to RM190.5 billion in 2016 at a CAGR of 4.13% with store-based retailing continuing to remain a key component of retail sales.

## 7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

SMITH ZANDER

## Retail market in Malaysia – growth in retail sales



Source: Extracted from the Independent Market Research Report by SMITH ZANDER

## Key Demand Drivers

**Increasing disposable income of the population signifies growth potential for retail sales**

Malaysia is an upper-middle income developing economy with aspirations to achieve developed status by the year 2020. GDP per capita increased by 30.93% from approximately RM25,385 in 2009 to RM33,236 in 2013 while purchasing power parity ("PPP") per capita income increased by 26.20% from approximately USD14,063 (RM49,552<sup>19</sup>) to USD17,748 (RM55,926<sup>20</sup>) during the same period. This increase in disposable income is leading to a rise in a more affluent population that has greater spending power, creating demand for basic necessities and non-essential products.

The ETP (2011-2020) was launched in an effort to promote Malaysia into an inclusive and sustainable high-income country by the year 2020. The ETP is a comprehensive initiative comprising 131 high impact projects under 12 economic focus areas that have the potential to stimulate economic growth. The implementation of the ETP will allow Malaysia to be closer to achieving its goal of raising the per capita disposable income of the population to approximately RM48,000 by 2020.<sup>21</sup> The Government expects Malaysia to achieve GDP growth of between 4.50% and 5.50% in 2015. Private investments are also targeted to rise by 12.70% to hit RM153.0 billion in 2014. In order to achieve a per capital income of RM48,000, the Government intends to attract RM1.4 trillion in investments which is expected to create 3.3 million jobs, of which 60% are expected to be in high value sectors under the 12 economic focus areas under ETP.

The Government is keenly aware of the challenges faced especially by the middle income population, and has set forth initiatives and policies in favour of this group. Apart from tax cuts announced under Budget 2014, concrete efforts have been taken through the implementation and increases in RPGT to curb speculation in the property sector which has historically pushed prices to unaffordable prices, and the launching of affordable housing schemes. These concrete efforts are significant in the move to

<sup>19</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2009 of USD1=RM3.5236

<sup>20</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2013 of USD1=RM3.1511

<sup>21</sup> Extracted from the Independent Market Research Report by SMITH ZANDER

increase incomes and reduce living costs, both of which are goals of the Government and the ETP. The increasing disposable income of the population has the potential to contribute to higher retail sales in the country.

#### **Greater Government-driven initiatives to propel the retail market in Malaysia and boost retail expenditure**

The retail and wholesale sector is a major contributor to Malaysia's GNI and thus has been identified as one (1) of the 12 key economic focus areas under the ETP. The ETP (2011-2020) was launched in 2010 with the goal of promoting Malaysia into an inclusive and sustainable high-income country by the year 2020. The ETP is a comprehensive initiative comprising 131 high impact projects under 12 economic focus areas that have the potential to stimulate economic growth. The retail sector is a key driver of domestic consumption and plays a significant role in promoting economic growth.

Despite recent developments in the retail market, retail expenditure in Malaysia (RM3,154 or USD905.83<sup>22</sup>) is substantially lower compared to that in countries such as South Korea (USD2,995 or RM9,254.55<sup>23</sup>), Taiwan (USD3,115 or RM9,625.35<sup>23</sup>) and Singapore (USD3,423 or RM10,577.07<sup>23</sup>). While this disparity can be partially attributed to differing income levels, the Government of Malaysia intends to drive retail spending in achieving the targets under ETP. In achieving the GNI targets for the retail sector, the Government intends to improve access to finance, liberalise the retail sector and streamline set-up and expansion requirements, upgrade transportation infrastructure and grow human capital.

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<sup>22</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2012 of USD1=RM3.090

<sup>23</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2012 of RM0.2872=USD1



## 5 PROSPECTS AND OUTLOOK FOR BIOALPHA HOLDINGS BERHAD

The health supplement manufacturing industry in Malaysia had an industry size of approximately RM501.23 million in 2009, and this grew to approximately RM676.59 million in 2013, at a CAGR of 7.79%. The industry is estimated to grow from RM717.14 million in 2014 to RM914.59 million in 2018, at a CAGR of 6.27%.

The growth of the health supplement manufacturing industry directly correlates with the health supplement market, which denotes the consumption of health supplements in Malaysia. The health supplement market in Malaysia has demonstrated strong positive growth over the last five (5) years, from RM2.60 billion in 2009 to RM3.15 billion in 2013, representing a CAGR of 4.91% or an overall growth of 21.15% in five (5) years. Meanwhile, the global health supplement market is also growing, from USD154.70 billion (RM515.44 billion<sup>24</sup>) in 2008 to USD207.80 billion (RM642.10 billion<sup>25</sup>) in 2012, registering a CAGR of 7.66% during the same period. In 2012, sales of functional foods comprised approximately 53% of the total global health supplement market, while sales of herbal and non-herbal supplements contributed approximately 47% to the global market.

The prospects for growth in the health supplement manufacturing industry in Malaysia are positive as the industry is expected to continue being driven by the increase in income where purchases are increasingly diversifying from staple food products to more expensive and quality purchases, which include products with health benefits such as herbal and non-herbal supplement products, as well as functional foods; the growing chronic lifestyle diseases, infections and obesity concerns which has heightened Malaysia's awareness in preventive healthcare, and thus driving demand for health supplement products; rapid urbanisation and an ageing society driving the increase in health awareness and market acceptance of health supplements; health-oriented campaigns and events which promote health awareness; and the Government's initiatives and incentives in promoting and encouraging herbal cultivation and farming as well as health supplement manufacturing.

Bioalpha Holdings Berhad, as one of the industry players in the health supplement manufacturing industry in Malaysia, shows potential to gain from the growing industry. In 2012, Bioalpha Holdings Berhad's market share in Malaysia was 3.03% based on its revenue of RM19.12 million in the FYE 31 December 2012. The Company's market share increased to 3.63% in 2013, based on its revenue of RM24.57 million in FYE 31 December 2013. The company's future growth is expected to be supported by opportunities arising from the growing health supplement market in Malaysia as well as globally, as it is well-positioned in the market with its wide range of health supplement products, as well as being one of the selected health supplement manufacturing industry players in Malaysia to be appointed as an Anchor company to undertake pre-clinical and clinical research studies for health supplements with functional or medium claims and botanical drugs under EPP1. These factors are expected to drive the future growth of the company.

<sup>24</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2008 of USD1=RM3.3319

<sup>25</sup> Converted based Bank Negara Malaysia's annual average exchange rate in 2012 of USD1=RM3.090

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 8.1 PROMOTERS AND/OR SUBSTANTIAL SHAREHOLDERS

#### 8.1.1 Shareholdings

The shareholdings of our Promoters and/or substantial shareholders in our Company before and after our IPO are as follows:

Name	Country of incorporation / Nationality	Before IPO		After IPO					
		Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares				
		%	%	%	%				
<b><i>Promoter and substantial shareholder</i></b>									
William Hon	Malaysian	122,103,560	33.60	-	-	122,103,560	26.35	-	-
PNS	Malaysia	105,387,077	29.00	-	-	105,387,077	22.74	-	-
MTDC	Malaysia	81,402,920	22.40	-	-	81,402,920	17.57	-	-
Khazanah	Malaysia	-	-	81,402,920 <sup>(1)</sup>	22.40	-	-	81,402,920 <sup>(1)</sup>	17.57
MOF (Inc)	Malaysia	-	-	186,789,997 <sup>(2)</sup>	51.40	-	-	186,789,997 <sup>(2)</sup>	40.31
MOF	Malaysia	-	-	186,789,997 <sup>(3)</sup>	51.40	-	-	186,789,997 <sup>(3)</sup>	40.31
<b><i>Promoter</i></b>									
Dato' Sri Syed Zainal	Malaysian	3,643,037	1.00	-	-	3,643,037	0.79	-	-

Notes:

(1) Deemed interest by virtue of its shareholdings in MTDC pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of its shareholdings in PNS and Khazanah pursuant to Section 6A of the Act.

(3) Deemed interest by virtue of its shareholdings in MOF (Inc) pursuant to Section 6A of the Act.

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### 8.1.2 Profile

**William Hon** is our founder, Promoter, substantial shareholder and Managing Director/Chief Executive Officer. He was appointed to our Board on 21 June 2011 and is responsible for overseeing our Group's performance and strategic direction.

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

He began his career as an Auditor with Paul Chuah & Co, an accounting firm in 1995 and later joined Futuristic Innovations Sdn Bhd ("**FISB**") as an Assistant Finance Manager in the same year. In 1998, he left FISB and joined L&G Consultancy Sdn Bhd, an educational and business consultancy firm, as a Consultant. He subsequently left and joined Country Heights Holdings Berhad ("**CHHB**") in 2000 as Vice President of Business Development, where he was responsible for identifying and/or assessing new business opportunities for CHHB group in the property investment and development industry as well as other new ventures such as biotechnology. He left CHHB in 2003 and worked as a freelance consultant with a few companies, including companies in the healthcare industry such as Asia Link Jaya Sdn Bhd and Biocell Research & Development Sdn Bhd, during which he gained further knowledge of the biotechnology industry and enabled him to establish BISB in 2005.

**PNS** is our Promoter and substantial shareholder. PNS was incorporated in Malaysia under the Act on 29 November 1969 and is principally involved in investment holding.

PNS has an authorised share capital of RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each, of which RM751,012,180 comprising 751,012,180 ordinary shares of RM1.00 have been issued and fully paid-up as at the LPD.

The substantial shareholder of PNS and its shareholdings in PNS are as follows:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of shares	%	No. of shares	%
MOF (Inc)	747,262,178	99.50	-	-

**MOF (Inc)** is a body corporate incorporated pursuant to the Minister of Finance (Incorporation) Act, 1957 and is wholly-owned by the MOF.

As at the LPD, the directors of PNS are as follows:

- Datuk Idris Bin Hashim
- Dato' Syed Kamarulzaman Bin Dato' Syed Zainol Khodki Shahabudin
- Nik Roslini Binti Raja Ismail
- Dato' Basaruddin Bin Sadali
- Dato' Hj Mohd Zaim Bin Hj Abu Hasan
- Dato' Rosely Bin Samsuri
- Dato' Azmi Bin Mohd Ali
- Prof. Madya Dr. Mohd Amy Azhar bin Hj. Mohd Harif
- Azlinda Binti Zubir

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

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MTDC is our Promoter and substantial shareholder. MTDC was incorporated in Malaysia under the Act on 10 March 1992, with its establishment initiated by the National Council for Scientific Research and Development to, among others, commercialise local research and introduce strategic technologies to Malaysia.

MTDC is the Malaysian government's integrated venture capital company with its focus on commercialising research results of universities and research institutions, identifying and transferring emerging and strategic technologies for adoption by industries, and encouraging the growth of technology-based enterprises in Malaysia. MTDC also manages grants, venture capital funds and technology centres. Under the 10<sup>th</sup> Malaysia Plan, MTDC was tasked to create an effective environment in which entrepreneurship amongst the local technology companies can be promoted.

MTDC's authorised share capital is RM200,000,000 comprising 140,000,000 ordinary shares of RM1.00 each and 60,000,000 preference shares of RM1.00 each, of which RM116,153,866 comprising 92,623,063 ordinary shares of RM1.00 each and 23,530,803 preference shares of RM1.00 each have been issued and fully paid-up as at the LPD.

MTDC is a wholly-owned subsidiary of Khazanah, the investment holding arm of the Government.

As at the LPD, the directors of MTDC are as follows:

- Tan Sri Abdul Rahman Bin Mamat
- Datuk Siti Hadzar Binti Mohd Ismail
- Dato' Dr Mohamed Ariffin Bin Aton
- Dato' Sri Dr. Noorul Ainur Binti Mohd Nur
- Dato' Norhalim Bin Yunus
- Yeoh Keat Seng
- Amirul Fares Bin Wan Zahir
- Khoo Boo Seng
- Christina Foo

**Khazanah** was incorporated in Malaysia under the Act on 3 September 1993 as a public limited company. Khazanah is the strategic investment fund of the Government entrusted to hold and manage the commercial assets of the Government, and to undertake strategic investments on behalf of the nation.

Save for one (1) share owned by the Federal Lands Commissioner (a body corporate incorporated pursuant to the Federal Lands Commissioner (Incorporation) Act, 1957), all the ordinary share capital of Khazanah is owned by MOF (Inc).

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)**

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As at the LPD, the directors of Khazanah are as follows:

- Dato' Sri Mohd Najib Tun Haji Abdul Razak
- Tan Sri Dato' Seri Nor Mohamed Yakcop
- Dato' Seri Ahmad Husni Mohamad Hanadzlah
- Tan Sri Md Nor Md Yusof
- Raja Tan Sri Dato' Seri Arshad Raja Tun Uda
- Tan Sri Mohamed Azman Bin Yahya
- Dato' Mohammed Azlan Bin Hashim
- Tan Sri Andrew Sheng Len Tao
- Tan Sri Dato' Azman bin Hj. Mokhtar

**Dato' Sri Syed Zainal** is our Promoter and Executive Director. He was appointed to our Board on 10 September 2013 and is responsible for our Group's corporate and strategic planning.

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

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## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 8.1.3 Changes in Shareholdings

The changes in the shareholdings of our Promoters and/or substantial shareholders in our Company for the past three (3) years are as follows:

Name	As at 31 December 2011			As at 31 December 2012			As at 31 December 2013		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
William Hon	122,103,560	48.00	-	122,103,560	48.00	-	122,103,560	33.60	-
PNS	-	-	-	-	-	-	105,387,077	29.00	-
MTDC	81,402,920	32.00	-	81,402,920	32.00	-	81,402,920	22.40	-
Khazanah	-	-	81,402,920 <sup>(1)</sup>	-	-	81,402,920 <sup>(1)</sup>	-	-	81,402,920 <sup>(1)</sup>
MOF (Inc)	-	-	81,402,920 <sup>(2)</sup>	-	-	81,402,920 <sup>(2)</sup>	-	-	186,789,997 <sup>(2)</sup>
MOF	-	-	81,402,920 <sup>(3)</sup>	-	-	81,402,920 <sup>(3)</sup>	-	-	186,789,997 <sup>(3)</sup>
Dato' Sri Syed Zainal	-	-	-	-	-	-	3,643,037	1.00	-

#### Notes:

(1) Deemed interest by virtue of its shareholdings in MTDC pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of its shareholdings in PNS and Khazanah pursuant to Section 6A of the Act.

(3) Deemed interest by virtue of its shareholdings in MOF (Inc) pursuant to Section 6A of the Act.

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**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****8.2 DIRECTORS****8.2.1 Particulars and Shareholdings**

The details of our Directors and their shareholdings in our Company before and after our IPO are as follows:

Name	Designation	Age	Before IPO			After IPO		
			No. of Shares	%	Indirect	No. of Shares	%	Indirect
Tan Sri Abdul Rahman Bin Mamat	Independent Non-Executive Chairman	63	-	-	-	-	-	-
William Hon	Managing Director	39	122,103,560	33.60	-	122,103,560	25.26	-
Dato' Sri Syed Zainal	Executive Director	53	3,643,037	1.00	-	3,643,037	0.79	-
Ho Tze Hiung	Executive Director	38	-	-	-	-	-	-
Dato' Norhalim Bin Yunus	Non-Independent Non-Executive Director	52	-	-	-	-	-	-
Dato' Rosely Samsuri	Non-Independent Non-Executive Director	62	-	-	-	-	-	-
Dr Nik Ismail Bin Nik Daud	Independent Non-Executive Director	64	-	-	-	-	-	-
Tan Sri Dr Syed Jalaludin	Independent Non-Executive Director	71	-	-	-	-	-	-
Mohd Nasir Bin Abdullah	Independent Non-Executive Director	49	-	-	-	-	-	-

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

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### 8.2.2 Profile

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

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

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

**William Hon** is our founder, Promoter, substantial shareholder and Managing Director/Chief Executive Officer. His profile is disclosed in Section 8.1.2 of this Prospectus.

**Dato' Sri Syed Zainal** is our Promoter and Executive Director. His profile is disclosed in Section 8.1.2 of this Prospectus.

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

Ho Tze Hiung completed his Bachelor of Business, majoring in Business and Management from Oxford Brookes University in 1999 and began his career as a Marketing Executive with TCM Sdn Bhd in the same year. In 2000, he left TCM Sdn Bhd and joined HL Refined Seafood Industries Sdn Bhd ("HL") as a Sales Supervisor. In 2002, he left HL and joined Xoki Mart Sdn Bhd as an Operations Manager. He subsequently joined Allianz Insurance Co. as a Trainer in 2003. In 2004, he left Allianz Insurance Co. and joined Biocell Research & Development Sdn Bhd as a Marketing Manager. Subsequently in 2005, he joined BISB as a Marketing Director and was promoted to Operations Director in 2012.



**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**Dato' Norhalim Bin Yunus** is our Non-Independent Non-Executive Director and was appointed to our Board on 30 June 2011. He graduated with a Bachelor of Science in Life Sciences from UKM in 1986 and is the Chief Executive Officer of MTDC, a wholly-owned subsidiary of Khazanah.

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

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

Dato' Norhalim is the nominee director of MTDC.

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

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

Currently, Dato' Rosely is serving on the board of PNS, Permodalan Felcra Sdn Bhd as well as the Chairman of Management Investment Committee of Permodalan Felcra Sdn Bhd. He is also a Non-Independent Non-Executive Director of Tatt Giap Group Berhad.

Dato' Rosely is the nominee director of PNS.

**Dr Nik Ismail Bin Nik Daud** is our Independent Non-Executive Director and was appointed to our Board on 30 June 2011. He is also the Chairman of our SAB.

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

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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

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

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

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

In the corporate sector, Tan Sri Dr Syed Jalaludin is the Founding Chairman of the Halal Industry Development Corporation, a corporation wholly-owned by MOF (Inc).

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

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

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

### 8.2.3 Directors' Term of Office

The date of expiration of the current term of office for each of our Directors and the period that each of them has served in that office is as follows:

Name	Date of Appointment as Director	Approximate No. of Months in Office up to the LPD	Date of Expiration of the Current Term of Office
Tan Sri Abdul Rahman Bin Mamat	03.01.2012	37 months	30.06.2016
William Hon	21.06.2011	43 months	30.06.2015
Dato' Sri Syed Zainal	10.09.2013	17 months	30.06.2016
Ho Tze Hiung	21.06.2011	43 months	30.06.2015
Dato' Norhalim Bin Yunus	30.06.2011	43 months	30.06.2016
Dato' Rosely Bin Samsuri	20.09.2013	17 months	30.06.2017
Dr Nik Ismail Bin Nik Daud	30.06.2011	43 months	30.06.2015
Tan Sri Dr Syed Jalaludin	08.07.2014	7 month	30.06.2015
Mohd Nasir Bin Abdullah	12.02.2015	1 month	30.06.2015

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## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 8.2.4 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 31 December 2013 and FYE 31 December 2014 are as follows:

Director	FYE 31 December 2013 Remuneration band RM	FYE 31 December 2014 Remuneration band RM
Tan Sri Abdul Rahman Bin Mamat	Less than 50,000	Less than 50,000
William Hon	150,000 – 200,000	250,000 – 300,000
Dato' Sri Syed Zainal	50,000 – 100,000	150,000 – 200,000
Ho Tze Hiung	50,000 – 100,000	150,000 – 200,000
Dato' Norhalim Bin Yunus	Less than 50,000	Less than 50,000
Dato' Rosely Bin Samsuri	Less than 50,000	Less than 50,000
Dr Nik Ismail Bin Nik Daud	Less than 50,000	Less than 50,000
Tan Sri Dr Syed Jalaludin	-	Less than 50,000
Mohd Nasir Bin Abdullah	-	-

The remuneration of our Directors, which includes salaries, bonuses, fees and allowances as well as other benefits, must be recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees must be further approved by our shareholders in a general meeting.

### 8.2.5 Principal Directorships in Other Corporations and Principal Business Activities Performed Outside our Group

Save as disclosed below, our Directors do not have any other principal directorship in other corporations or any principal business activities performed outside our Group for the past five (5) years prior to the LPD:

Director	Company	Involvement in business activities other than as Director	Principal activities
Tan Sri Abdul Rahman Bin Mamat	<i>Present Directorships</i>		
	BGE Enviro Supply Sdn Bhd		Dormant. Intended activity is trading of chemical products
	Dagang Nexchange Berhad		Investment holding and development of information technology solutions
	Annexe Fair Sdn Bhd		Investment holding, property and construction and general trading
	River of Life Hospital & Healthcare Sdn Bhd		Own, develop, manage and maintain hospital operations
	Naza TTDI Sdn Bhd		Property development and management services and project management
	Parkson Holdings Berhad		Investment holding and operation of the 'Parkson' departmental stores
Hiap Teck Venture Berhad		Investment and property holdings and provision of management services	

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Tan Sri Abdul Rahman Bin Mamat (Cont'd)	Inno Biologics Sdn Bhd		Manufacturing, bioprocess development, consulting and provider of education and training related to biotechnology
	Inno Bio Ventures Sdn Bhd		Investment holding, manufacturing, consulting and provider of education and training related to biotechnology
	BGE Industry Support Sdn Bhd		Dormant *
	Oceanmight Sdn Bhd		Onshore fabrication of oil rigs for offshore facility
	Broadgate Engineering (M) Sdn Bhd		Engineering and construction works
	MTDC		Venture capital activities, management of government grants, technology incubation management and technology support services
	Eastern Steel Sdn Bhd		Manufacturing, selling and dealing in a range of steel products using blast furnace plant
	Asia Logistics Council Sdn Bhd		To provide services in logistic and related systems for the Asia Pacific region
	Lotte Chemical Titan Holding Sdn Bhd		Investment holding and petrochemical manufacturing
	Inno Zentux Sdn Bhd		R&D on medical sciences
	Evercare Plus Sdn Bhd		R&D on medical sciences
	Bio Innovation Centre Sdn Bhd		To promote the development of contract research services and contract manufacturing services
	Inno Bio Diagnostics Sdn Bhd		To develop business opportunities in the area of cell-based diagnostics and regenerative medicine
	Aryo Asian Sdn Bhd		R&D on medical sciences
	<i>Past Directorships</i>		
	MMC Petroleum & Resources Sdn Bhd		Investment holding and the provision of professional services to the oil and gas and resources industries
	<i>Present Directorships</i>		
Dato' Sri Syed Zainal	Answers In Law Sdn Bhd		Information technology services
	Cergas Education Systems Sdn Bhd		Pre-primary education (private)/ kindergarten

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities	
Dato' Sri Syed Zainal (Cont'd)	Cergas System Supplies Sdn Bhd		Information technology consultancy services	
	CMS Consortium Sdn Bhd		Provision of electric vehicle rental services	
	Dfran Research Technologies Sdn Bhd		Engineering research and technology solutions	
	DP Drilling Sdn Bhd		Dormant. Intended activity is supply of drilling and well services	
	Duta Klasik Sdn Bhd		General order supplier, contractor and property developer	
	E-Mam Kapitan Sdn Bhd		Dormant *	
	Ideasys Sdn Bhd		Manufacturer of electronic devices and related products	
	Minsyam Sdn Bhd		General trading and distributor	
	Minsyam Ventures Sdn Bhd		General trading and distributor	
	SZA Service Expert Sdn Bhd		Automobile services	
	Wiedu Sales And Marketing Sdn Bhd		Export and import of computers	
	Wiedu Sdn Bhd		Other information technology service activities, N.E.C export and import of computers	
	CMS Ecotour Sdn Bhd		Travel agency activities, other passenger land transport N.E.C and advertising	
	<u>Past Directorships</u>			
		Banyu Tuah Sdn Bhd		Business of food, restaurant, food court and any related business
		Exedy (Malaysia) Sdn Bhd		Manufacturing of car manual clutches springs and related parts
	Lotus Advance Technologies Sdn Bhd		Investment holding *	
	Lotus Engineering Malaysia Sdn Bhd		To provide design consultation for automobile engineering services	
	Miyazu (Malaysia) Sdn Bhd		Development, manufacturing and sale of products and services relating to die, moulds, jigs and stamping activities	
	Perusahaan Otomobil Nasional Sdn Bhd		Manufacturing, assembling and selling motor vehicles and related products	

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Dato' Sri Syed Zainal (Cont'd)	Proton Edar Sdn Bhd		Sale of motor vehicles and related spare parts and accessories
	Proton Engineering Research Technology Sdn Bhd		Dormant *
	Proton Hartanah Sdn Bhd		Investment holding *
	Proton Holdings Berhad		Investment holding *
	Proton Marketing Sdn Bhd		Investment holding *
	Proton Properties Sdn Bhd		Property development and related activities
	Proton Tanjung Malim Sdn Bhd		Assembly of motor vehicles and related products
	Auto Compound And Distribution Centre Sdn Bhd		Dissolved
	Lotus Cars Asia Pacific Sdn Bhd		Dissolved
	Proton Corporation Sdn Bhd		Dissolved
	Proton Capital Sdn Bhd		Dissolved
	Proton Edar Ventures Sdn Bhd		Dissolved
	Proton Edar Resources Sdn Bhd		Dissolved
Ho Tze Hiung	<u>Present Directorships</u>		
	Cellmedic International Sdn Bhd		Trading of cosmetic products
	<u>Past Directorships</u>		
	Krazee Group Sdn Bhd	Shareholder	Trading of apparel

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Dato' Norhalim Bin Yunus	<i>Present Directorships</i>		
	Globetronics Technology Berhad		Investment holding whilst the principal activities of its subsidiaries are manufacturing and assembly of integrated circuits, optoelectronic products and printed circuit boards. Other activities include manufacturing and fabrication of Electro-Static Discharge (ESD) protective materials and ceramic metallisation, manufacturing of small outline components and technical plating services for the semiconductor industry, provision of hardware and software system solutions and consultations, provision of burn-in services, trading of chemical products and import and export of components and direct materials of semiconductor
	MTDC		Venture capital activities, management of government grants, technology incubation management and technology support service
	Wafergen Biosystems (M) Sdn Bhd		Developed the SmartChip System Solution that provides first genome/high throughput gene expression real-time Polymerase Chain Reaction Platform and unmatched performance
	Wiserite Sdn Bhd		Investment holding and manufacturing of integrated circuit packaging and optoelectronics products
	Malaysian Agri Hi-Tech Sdn Bhd		Development of beneficial microbes for the enhancement of agricultural production and promotion of sustainable agriculture and marketing of growth enhancer
	MTDC Capital & Technology Research Sdn Bhd		Dormant. Intended activity is the provision of corporate services for the Malaysian Exchange of Securities Dealing and Automatic Quotation Berhad
	MTDC Bioscience Holdings Sdn Bhd		Striking off
	Klinik Optometri UKM Sdn Bhd		Dormant *
	Phimax Technologies (M) Sdn Bhd		Dormant (in the process of creditors' winding up)



**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Dato' Norhalim Bin Yunus (Cont'd)	MTDC Technology Infrastructure Sdn Bhd		Consultant, managers and advisors in relation to technologies development for technologies park, industrial parks, science based parks and incubation centre
	Global Encap Innovations Sdn Bhd		Striking off
	MGV Industries Sdn Bhd		Manufacturers and distributors of carbonated drinks
	Permodalan Yapeim Sdn Bhd		Investment holding which principally invests in property and real estate and gold, whilst its subsidiaries are principally involved in takaful protection and risk management and security services
	Malaysian Phosphate Additives Sdn Bhd		Manufacturing of feed phosphate and animal feed products
	TT Vision Technologies Sdn Bhd		Engaged in development, manufacturing and marketing of vision inspection products
	<u>Past Directorships</u>		
	MTDC Chemical Holdings Sdn Bhd	Shareholder	Dissolved
	MTDC-Multichem Technology Research Corporation Sdn Bhd	Shareholder	Dissolved
	Clinical Trial Sdn Bhd	Shareholder	Dissolved
	Biotechnology Research Corporation (M) Sdn Bhd		Dissolved
	Forbio (Malaysia) Sdn Bhd		Dissolved
	Fibrotech Sdn Bhd		Dissolved
	Crystal Chemicals Sdn Bhd		Dormant (in the process of creditors' winding up)
Dato' Rosely Bin Samsuri	<u>Present Directorships</u>		
	Tatt Giap Group Berhad		Steel and stainless steel processing business and complemented by other activities such as manufacturing of stainless steel pipes and tubes, manufacturing of cold drawn and polished carbon steel/stainless steel bars, manufacturing of electro galvanising steel coils and steel distribution

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Director	Company	Involvement in business activities other than as Director	Principal activities
Dato' Rosely Bin Samsuri ( <i>Cont'd</i> )	PNS		Investment holding with the mandate to lead the development of Malaysia's franchise industry
	JRC Tenaga Sdn Bhd		Supply and installation of standby power systems and manufacture and assembly of certain components of standby power systems
	Permodalan Felcra Sdn Bhd		Management and investment of funds received from Felcra Berhad
	Neigu Engineering & Shipyard Sdn Bhd		Cover building and repairing ships, related electrical and air conditioning works and services, other marine repair and maintenance services and hire of pilot boat
	Syariah System Consultants Sdn Bhd		Advice and consultation to the industry and business upon all matters relating to syariah laws. To conduct all kinds of research in the subject of economics, finance, industry engineering, science, trade and commerce, education and culture, to collect and prepare all kinds of statistic and data, to make report and analysis, for the benefit of the client and customer of the company, advisers on problems relating to the administration and organisation of industry and business and training of personnel for industry and business
	Kesuma Jasabakti Sdn Bhd		Striking off
	Ecklend360 Sdn Bhd		Advertising multimedia production
	Ikhtiar Factoring Sdn Bhd		Factoring and contract financing
	<u>Past Directorships</u>		
	Rakyat Holdings Sdn Bhd		Cooperative acquisition and liquidation management services, property development and project management, building management, franchising of pawn broking, travel as well as trading and supply
	Rumbia Bina (M) Sdn Bhd		Construction
Dr Nik Ismail Bin Nik Daud	<u>Present Directorships</u>		
	Synermal Sdn Bhd		Supplier of specialist medical services
	Flavor Inn Corporation Sdn Bhd		Manufacturer of food flavours

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Dr Nik Ismail Bin Nik Daud (Cont'd)	<u>Past Directorships</u>		
	Cell Tissue Technology Sdn Bhd		Dormant. Intended activity is the development of medical products and services from cell tissue technology
	UKM Technology Sdn Bhd		Technology transfer service
	Minds Technology Sdn Bhd		Leader in multimedia education products and project management software, cutting edge R&D and product development in multimedia education
	Icon Pharma Sdn Bhd		Dormant. Intended activity is the development of hydrogen based products
	A1 Meditech Sdn Bhd		Provision of and supply of A1-BOD other medical services and other related technology
	Nxphotonics Sdn Bhd		Dormant. Intended activity is the development of computer devices
	Greenxs Sdn Bhd		Dormant. Intended activity is the development of green technologies
	PV & Technologies Sdn Bhd		Dormant. Intended activity is the development of advanced solar dryers
	Solarge Sdn Bhd		Dormant. Intended activity is the development of solar charge controllers
	Gas Sensor Sdn Bhd		Dormant. Intended activity is the development of gas sensor devices
	Biotech Diagnostics Sdn Bhd		Dormant. Intended activity is the development of medical biodiagnostic kits
	Food Protech Sdn Bhd		Dormant. Intended activity is the development and commercialisation of technology in producing Pro-Biotic chocolate and confectionary products
	HCA Products Sdn Bhd		Dormant. Intended activity is the development of roselle varieties rich in hydroxycitric acid and antioxidants
Genepro Sdn Bhd		Dissolved	
Puri Pujangga Sdn Bhd		Hotel and accommodation, event management, catering and restaurant	
UKM Teem Sdn Bhd		Dormant. Intended activity is the provision of training programs on talent enhancement	

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Dr Nik Ismail Bin Nik Daud (Cont'd)	Unipeq Sdn Bhd		Consultancy in food services lab analysis, training and consultancy
	UKM Kesihatan Sdn Bhd		Provision of medical, surgical and hospital services and facilities
	UKM Pakarunding Sdn Bhd		Consultancy services in environmental impact assessment, information and communication technologies and social studies
	UKM Holdings Sdn Bhd		Investment holding and provision of consulting, healthcare and hospitality services
Tan Sri Dr Syed Jalaludin	<u>Present Directorships</u>		
	Isra Consultancy Sdn Bhd		Consultancy services
	Spectrum Esop Sdn Bhd		Employee investment holding
	Taylor's Education Group Foundation		Education and students' development
	Yim Technology Resources Sdn Bhd		Dormant with the intention to deploy Yayasan Inovasi Malaysia's iDOLA project and provision of information and communications technology solutions
	Segimaju Sdn Bhd		Building construction contractor
	Urrma Asia Sdn Bhd		R&D, manufacturing, marketing, distributing and consultation as specialist in biotechnological products, to enter into any arrangements with any government or authorities supreme and municipal as well as to adopt such means of making known the products of the company
	Inceif Consultancy Sdn Bhd		Consultancy services in the field of Islamic finance
	Universiti Tun Abdul Razak Sdn Bhd		Higher education and training at tertiary, vocational and professional level, R&D in education, academic and professional, and contract related to education, training and R&D
	Halal Industry Development Corporation Sdn Bhd		Development of Halal industry including but not limited to food and non-food industries and services, development of Halal standard as well as audit and certification and to protect the integrity of Halal product
Home & Office Furniture Sdn Bhd		General trading, manufacturing and exporting of furniture	

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Director	Company	Involvement in business activities other than as Director	Principal activities
Tan Sri Dr Syed Jalaludin ( <i>Cont'd</i> )	Malaysia Toray Science Foundation		Professional services
	Meteor Technology & Consultancy Sdn Bhd		Consultancy and research in education and information technology project
	Jubilant Rank Sdn Bhd		Investment, construction and general trading
	Stellar Earnings Sdn Bhd		Dormant *
	Hybrid Cax (M) Sdn Bhd		Dormant with the intention to be involved in information technology business
	Kuala Lumpur Lions Foundation		Administration of funds and to undertake the service of haemodialysis
	ABBA Food (International) Sdn Bhd		Dormant. Intended activity is to be involved in food business
	Asia E Learning Sdn Bhd		Education and training services
	Segimaju Capital Sdn Bhd		Implementation of concession project
	Segimaju Capital (Bertam) Sdn Bhd		Implementation of concession project
	Segimaju Capital (Lendu) Sdn Bhd		Implementation of concession project
	Segimaju Capital (Jengka) Sdn Bhd		Implementation of concession project
	<i><u>Past Directorships</u></i>		
	Reach Sdn Bhd		To carry on all or any of the trades or businesses of an investment and holding company in respect of telecommunication service providers. To purchase, acquire and hold licenses, or any property, real or personal, movable or immovable, of any kind whatsoever. To carry on all or any of the trades or businesses related to telecommunication service providers
	Salamfone Sdn Bhd		Mobile virtual network operator, trade or business of mobile telecommunication service providers, business of telephone, telegraph, cable and wireless communications
	DMDI Finance House Berhad		Manage a financial institution

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Director	Company	Involvement in business activities other than as Director	Principal activities
Tan Sri Dr Syed Jalaludin (Cont'd)	FIDE Forum		Enhance boardroom governance within the financial sector and develop world class directors who are advocates of best practices and excellence in corporate governance
	Purecircle Sdn Bhd		Production and distribution of natural high intensity sweeteners
	Baraka Telecom Sdn Bhd		Provision of telecommunication services
	YM CMC Engineering Sdn Bhd		Education, research and trading
	Malaysian Electronic Payment System Sdn Bhd		Promotion, operation, administration, management and enhancement of various electronic payment systems
	Rakyat Holdings Sdn Bhd		Investment holding, property management and management services
	Rakyat Travel Sdn Bhd		Operation of inbound and outbound tours car and coaches rental, Umrah and visa application to Saudi Arabia and any other countries
	Rakyat Hartanah Sdn Bhd		Property development and project management
	MMA Foundation		To receive and administer funds for education, scientific, charitable purpose, all for public welfare
	DAG Technologies (M'sia) Sdn Bhd		Engineering solutions and technology providers in engineering hardware and software products and providing technical and customer support and maintenance services
	Stella Gen Sdn Bhd		Innovative bio technology product, animal health and economic, animal husbandry
	Tafi Industries Berhad		Investment holding and provision of management services
	Sekolah Sri Fairview Sdn Bhd		Education centre
	Ecofirst Consolidated Bhd		Investment holding and provision of management services
Taylor's College Sdn Bhd		To establish and carry on educational institution, universities colleges, schools and other centres of learning or education	
Taylor's Education Sdn Bhd		To advance and further the education of all students of all levels	

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Director	Company	Involvement in business activities other than as Director	Principal activities
Tan Sri Dr Syed Jalaludin (Cont'd)	Taylor's Malaysia Sdn Bhd		Establish and provide educational services through educational institutions, colleges, schools and other centres of learning and education
	Grand Inizio Sdn Bhd		Technology, engineering, procurement and construction works for bio-diesel and other related activities
	Rakyat Management Services Sdn Bhd		Ar-Rahnu Exchange franchise and gold management
	Taylor's University Sdn Bhd		Educational institutions, colleges, schools and other centres or learning and education
	Andaman E-Plate Technologies Sdn Bhd		Dissolved
	Sinar Bara Sdn Bhd		Dissolved
	Petron Malaysia Refining and Marketing Berhad		Marketing of petroleum and related products, refining of crude oil and manufacturing of petroleum and related products
	Kejuteraan Samudra Timur Berhad		Investment holding and provision of tubular handling equipment and running services to the oil and gas industry

Note:

\* None or no other intended activities as at the LPD or date of resignation.

Our Board is of the opinion that the involvement of Dato' Sri Syed Zainal in other businesses and/or corporations as highlighted above will not affect his commitment and responsibilities to our Group nor negatively impact his abilities to act as our Executive Director as his involvement in these other businesses and/or corporations does not require a significant portion of his time in view that he is not involved in the day-to-day activities and operations of these companies, which are managed by their respective experienced management teams.

As Director of Corporate and Strategic Planning, Dato' Sri Syed Zainal is responsible for overseeing the business development initiatives within our Group, including expansion into new geographical markets as well as expansion into upstream and downstream activities within the health supplement industry. Although Dato' Sri Syed Zainal is not a full-time employee with our Group, he has facilitated our Group in amongst others, securing the ECERDC project and represented our Group in several international and local conferences such as the BIO International Convention (2014), Malaysia International Halal Showcase (2014) and World Islamic Economic Forum (2014).

Our Board is also of the opinion that the involvement of Ho Tze Hiung in the other business and/or corporation as highlighted above will not affect his commitment and responsibilities to our Group nor negatively impact his ability to act as our Executive Director as he is not involved in the day-to-day activities and operations of the abovementioned business and the said company is also dormant.

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 8.3 AUDIT, NOMINATION AND REMUNERATION COMMITTEES

#### 8.3.1 Audit Committee

Our Audit Committee was established on 26 February 2014. The members of our Audit Committee are as follows:

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 Dr Syed Jalaludin	Member	Independent Non-Executive Director
Mohd Nasir Bin Abdullah	Member	Independent Non-Executive Director

Our Audit Committee was established by our Board in order to assist it in overseeing the internal controls of our Group independently from our management.

Our Audit Committee's term of reference includes the following:

- (a) Review with our internal and/or external auditors the nature and scope of their audit plans, audit reports, major findings and evaluations of our accounting system and/or internal controls;
- (b) Review our quarterly and annual financial statements before submission to our Board, focusing in particular on any change in implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) Review matters concerning the suitability for appointment or reappointment of external auditors and matters relating to their resignation;
- (d) Review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group; and
- (e) To perform such other functions as may be requested by our Board.

#### 8.3.2 Remuneration Committee

Our Remuneration Committee was established on 26 February 2014. The members of our Remuneration Committee are as follows:

Name	Designation	Directorship
Tan Sri Dr Syed Jalaludin	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

Our Remuneration Committee was established by our Board in order to, *inter alia*, develop remuneration policy for our Directors and ensure that compensation is competitive and consistent with our Group's business strategy and long-term objectives.



## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### 8.3.3 Nomination Committee

Our Nomination Committee was established on 26 February 2014. The members of our Nomination Committee are as follows:

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

Our Nomination Committee was established by our Board in order to, *inter alia*, ensure that our Board is composed of effective and qualified members by nominating and appointing current and prospective members of our Board.

Our Nomination Committee's terms of reference include, amongst others, the following:

- (a) Identify and recommend to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;
- (b) Review annually the required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to our Board;
- (c) Assess annually the effectiveness of our Board and Board committees (including its size and composition) and contribution of each individual Director, including Independent Non-Executive Directors; and
- (d) Review our Board's succession plans and training programmes for our Board.

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**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****8.4 KEY MANAGEMENT****8.4.1 Particulars and Shareholdings**

The details of our key management and their shareholdings in our Company before and after our IPO are as follows:

Name	Designation	Age	Before IPO			After IPO		
			No. of Shares	%	Indirect	No. of Shares	%	Indirect
William Hon	Chief Executive Officer	39	122,103,560	33.60	-	122,103,560	25.26	-
Ho Tze Hiung	Operations Director	38	-	-	-	-	-	-
Goh Siow Cheng	Financial Controller	33	-	-	-	-	-	-
Teh Chap Seng	Head of Marketing	38	-	-	-	-	-	-
Shahrizal Sharuddin	Co-Head of R&D	36	-	-	-	-	-	-
Low Wee Come	Co-Head of R&D	42	-	-	-	-	-	-
Faizuddin Serimasran	Business Development Manager (Agricultural)	36	-	-	-	-	-	-
Abdul Halim Bin Mohd Tahir	General Manager (Pharmacy)	57	-	-	-	-	-	-

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## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

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### 8.4.2 Profile

**William Hon** is our Chief Executive Officer. His profile is disclosed in Section 8.1.2 of this Prospectus.

**Ho Tze Hiung** is our Operations Director. His profile is disclosed in Section 8.2.2 of this Prospectus.

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

Goh Siow Cheng began her career with Grant Thornton, Malaysia as an Audit Associate in 2004 and was with the firm until 2010, where her last position was Senior Manager. She joined Ernst and Young, Singapore as an Audit Manager in 2010 and subsequently left to join Wasco Energy group of companies as Finance Manager in 2012. In 2014, she joined our Company as our Financial Controller. Goh Siow Cheng brings with her about a decade of experience in accounting and audit for both private limited companies and public listed companies across various industries, including manufacturing, trading, property development, information technology and plantation.

**Teh Chap Seng** is our Head of Marketing and he is responsible for the business development of our ODM and house brand products business in both local and international markets. He graduated with a Bachelor of Science in Food Science and Marketing from UPM in 2002.

Teh Chap Seng started his career with Golden Arches Restaurants Sdn Bhd as a Floor Manager in 2002 and in 2003, he joined Mackessan Sdn Bhd as a Sales Representative where he serviced large and established brands in the consumer goods industry such as "Ajinomoto", "Nestle" and "Unilever". He left Mackessan Sdn Bhd in 2006 to join Bio Life Marketing Sdn Bhd as a Sales Representative. In 2007, he left Bio Life Marketing Sdn Bhd and joined Total Health Concept Sdn Bhd as a Sales Manager where he was responsible for managing the sales team in the country. He joined our Company in 2012 as a Business Development Manager, and was promoted to Head of Marketing in 2014. Teh Chap Seng has garnered more than ten (10) years of experience in the area of sales and marketing, particularly in the food and healthcare industries.

**Shahrizal Bin Sharuddin** is our Co-Head of R&D and is responsible for overseeing all R&D activities, particularly product formulation development and process enhancement. He graduated with a Bachelor of Science in Chemistry from UPM in 2001 and became a Registered Chemist with Malaysian Institute of Chemistry (IKM) since 2010.

Shahrizal Sharuddin began his career in Pharmaniaga Berhad as a Junior Chemist in 2002. He later left to join Innovax Sdn Bhd as a Senior Chemist in 2006. He joined our Group in 2012 as a Senior Chemist, and was promoted to Co-Head of R&D in 2014. Over the years, he has garnered more than ten (10) years of experience in performing R&D activities, and is familiar with laboratory compliance requirements within GMP as well as safety and regulatory environments.

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

**Low Wee Come** is our Co-Head of R&D and is responsible for overseeing our R&D activities, particularly in fermentation technology. He graduated with a Diploma in Marketing from Systematic College in 1994.

Low began his career in 1995 with Amshore Holdings Sdn Bhd, a reverse osmosis water manufacturer, as a Product Development Manager. He then joined Dadfaa Berkat Enterprise Sdn Bhd, a fruit juice manufacturer, in 2004, as a R&D and Production Manager, where he was responsible for amongst others, the set-up of the Company's R&D department. He subsequently joined Watasan Industry Sdn Bhd, a building materials manufacturer, in 2005 as a Sales Executive. In 2008, he joined our Group as a Research and Formulations Manager, and was promoted to Co-Head of R&D in 2014.

He has more than six (6) years of experience in R&D in formulation of food, health supplements and herbs with our Group. During his tenure with our Group, he has gained in-depth knowledge and experience in fermentation technology through undertaking of various courses and training on, amongst others, freeze drying method for storing strains, bioreactor machinery and fermentation technique, hyaluronic acid fermentation technique and cordyceps culture technique. He has also collaborated with universities, international research institutions and experts such as MBC, UTM and East Bio Co. Ltd as well as Professor Dr Yu Zhao Feng, a China-based scientist who has more than 30 years of experience in microbiology, immunology and serology with Chengdu Institute of Biological Products, Ministry of Public Health, China and other universities.

**Faizzudin Bin Serimasran** is our Business Development Manager (Agricultural) and is responsible for developing and overseeing the operations in our herb farms, and implementing planting policies and procedures with the aim of achieving best produce or harvest, as well as developing and promoting our processed herbs business. He graduated with a Bachelor in Information Technology, majoring in Industrial Computerize from UKM in 2001.

Faizzudin Bin Serimasran began his career in MRCB Multimedia Consortium Sdn Bhd as an Assistant Consultant in 2001. In 2003, he left to join CMG Technologies Sdn Bhd as an Application Implementer, and later joined Vantage Point Consulting Sdn Bhd as a SAP Human Resource Consultant in 2005. In 2007, he left to join SMIM Sdn Bhd as a Senior Executive. He later joined PNA Technologies Sdn Bhd, a subsidiary of SMIM Sdn. Bhd, in 2010 as a Head of Division where he was responsible for overseeing the Business Development, Human Resource and Administration, Procurement and Production Planning departments. In 2013, he left to join TPM Biotech Sdn Bhd as an Assistant Manager in the Operations division where he was overseeing the operations of two (2) biotechnology manufacturing plants. In 2014, he joined our Company as a Business Development Manager (Agricultural).

**Abdul Halim Bin Mohd Tahir** is our General Manager (Pharmacy) and is responsible for overseeing the business development and day-to-day operations of our retail outlet business. He graduated with a Bachelor of Science in Accounting from Southern Illinois University, Illinois, US in 1984 and later obtained a Master of International Business Administration from United States International University, California, US in 1985.

Abdul Halim began his career in 1986 with Mesiniaga Sdn Bhd as a Marketing Representative. He later became an Executive Director of Mikro Runding Sdn Bhd in 1987, and since then has held management positions in several companies, including multinational companies and Government-linked corporations. He was a Country Retail Manager for Mobil Oil Malaysia Sdn Bhd in 1989, a Senior Marketing Manager in Edaran Maju Muda Sdn Bhd (a marketing arm of Perwaja Holdings Berhad) in 1997, an Executive Director of Tat Lee Construction Sdn Bhd in 1999, and a General Manager in PNS in 2002. In 2003, he was a Financial Advisor with M1 Engineering Sdn Bhd and was subsequently promoted to Executive Director in 2004. After leaving M1 Engineering Sdn Bhd in 2008, he became a consultant and advisor for a few established companies, including KPJ Healthcare Berhad, ("KPJHB") where he was engaged as a consultant for the establishment of KPJHB's "Klinik Waqaf An-Nur" from 2009 to 2013, prior to joining our Group as General Manager (Pharmacy) in 2014.

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### 8.4.3 Involvement in Other Businesses or Corporations

Save as disclosed below, none of our key management are involved in other businesses/corporations as at the LPD:

Key Management	Company	Position (Director/Shareholder)	Principal Activities
Teh Chap Seng	Sanitas & JJ Sdn Bhd	Director and Shareholder	Involved in domestic and international trade affairs
	YT Food Industries Sdn Bhd	Director and Shareholder	Food court, stalls, coffee shop, restaurants, beverages, intoxicants, liquor, general trading and marketing, and general contractor
Abdul Halim Bin Mohd Tahir	Duplex Gateway Sdn Bhd	Director	Commercial trading dealing, property, and investment holding
	Perfect Curves Sdn Bhd	Director	General trading, investment and property
	Srikuasa Alpha Sdn Bhd	Director and Shareholder	Fire-fighting business related product and services, engineering and general trading

Please refer to Section 8.2.5 of this Prospectus for Ho Tze Hiung's involvement in other businesses or corporations.

Our Board is of the opinion that the involvement of our key management in other businesses and/or corporations as highlighted above will not affect their commitment and responsibilities to our Group as they are not involved in the day-to-day activities and operations of the abovementioned businesses and the said companies are also dormant.

### 8.4.4 Information on our SAB Members

Our SAB members are appointed based on their experience, expertise and knowledge which are relevant to our on-going R&D activities, whereby each appointment is for a term of two (2) years. Our present SAB members consist of local and international experts in various fields such as biotechnology, life sciences, food and herbal technology processes, fermentation and healthcare.

The profile of our SAB's members are as follows:

**Dr Nik Ismail Bin Nik Daud's** profile is disclosed in Section 8.2.2 of this Prospectus.

**Tan Sri Dr Syed Jalaludin's** profile is disclosed in Section 8.2.2 of this Prospectus.

**Dr Manaf Mohamad Radzi**, aged 60, graduated with a Bachelor of Science in Chemistry with a minor in Physics from Northern Illinois University, US in 1977. He was awarded a Doctor of Philosophy with a major in Physical Chemistry and a minor in Inorganic Chemistry from University of Tennessee, Knoxville, US in 1987. He also obtained a Master of Business Administration from Ohio University, US in 1996 through a twinning programme.

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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Upon his graduation in 1977, Dr Manaf was a Researcher at the chemistry laboratory in Northern Illinois University, US until 1987. He then joined ICI Fertilizers Sdn Bhd as a Technical Executive in 1988 before joining PETRONAS Research Institute as an Agrochemical Executive in 1992. He was transferred to MITCO, a subsidiary of PETRONAS in 1994 and subsequently joined FRC Manufacturing (Malaysia) Sdn Bhd in 1995. He then joined ACP Industries Berhad as a Manager for Special Projects in 1996 where he provided technical advice on new product development. In 2004, he left to join Sunway College Sdn Bhd as a Chemistry Lecturer in the Monash University Foundation Programme. He subsequently joined CCM Berhad as the Group Market Development Manager in 2005. He was promoted to General Manager in 2007 and was seconded to CCM Duopharma Biotech Berhad, a public-listed subsidiary of CCM Berhad, to handle its sales and marketing business. He was later re-designated as General Manager, Export in 2008 where he handled the international sales for the Pharmaceuticals division. He subsequently assumed the role of Chief Scientific Officer of Innovax Sdn Bhd in 2009.

He then joined MBC as Senior Vice-President, Industrial Division in 2010 and later became Head of Agriculture Biotechnology Division where he was responsible for furthering the usage of biotechnology tools to elevate the agriculture industry, focusing on the areas of crops biotechnology, livestock, aquaculture, and natural products discovery and commercialisation. He assumed his present position as Senior Vice President, University-Industry Partnership where he is responsible for ensuring that BioNexus companies are able to benefit from R&D projects conducted in universities as well as research institutes.

In view of his extensive knowledge in chemistry and experience in marketing and as our SAB member, Dr Manaf has been advising our R&D team and/or Board on product formulations development as well as viability of commercialisation of new product formulations.

**Associate Professor Lin Yu-Chin**, aged 51, graduated with a Bachelor of Arts in Pharmacy from China Medical University, Taiwan in 1988 and later obtained a Masters in Chinese Pharmaceutical Sciences in 1990 and a Doctor of Philosophy, majoring in Chinese Pharmaceutical Sciences in 1995 from the same university.

Upon graduation, he was a Research and Teaching Assistant in the Department of Pharmacy in China Medical University, Taiwan in 1988. He later became a Teaching Assistant in the Department of Biology and Department of Pharmacy in 1993. In 1995, he joined Tajen University, Taiwan as an Associate Professor of the Department of Pharmacy and Graduate Institute of Pharmaceutical Technology. In 2007, he joined Transworld University, Taiwan as an Associate Professor in its Department of Biotechnology. In 2009, whilst he was with Transworld University, he re-joined and has remained to date as an Associate Professor at China Medical University. In September 2014, he was also appointed as Vice Dean of College of Health Science, Transworld University.

He is also involved in multiple R&D studies pertaining to medicinal herbs and has collaborated with other research experts to produce journals and research reports on traditional medicine including, amongst others, toxicology and anti-inflammatory studies.

**Associate Professor Dr Choo Chee Yan**, aged 45, graduated with Bachelor of Applied Science in Industrial Chemistry from Universiti Sains Malaysia in 1994, and later obtained a Master of Science in Pharmaceutical Chemistry in 2000 and a Doctor of Philosophy in Pharmaceutical Chemistry in 2004 from the same university.

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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Dr Choo started her career with Carotech Sdn Bhd as a Quality Control Chemist in 1994. She then joined P.T. Pulau Sambu, Indonesia as an Assistant Quality Assurance Manager in 1995 before joining Universiti Sains Malaysia as contract Research Officer in 1997. She then joined Kolej Damansara Utara, Penang as a contract Lecturer in 2003 before joining UiTM as a Lecturer in 2004, where she lectures in the areas of organic chemistry, pharmaceutical analysis and research instrumentation in the Faculty of Pharmacy. Her research focuses on the evaluation and standardisation of traditional herbs in Malaysia and the sourcing and identification of new active ingredients in Malaysia in collaboration with other research organisations from Japan, South Korea and Luxembourg. She has also been appointed as a editorial board member and manuscript reviewer for various international peer-reviewed journals in the areas of phytochemistry, medicinal chemistry and pharmacology as well as complementary and alternative medicine. Her research projects have won both national and international awards in the Institut Pengajian Tinggi Awam R&D Expo Malaysia in 2005, BioTechnology Asia in 2006 and Geneva Invention, Switzerland in 2007.

**Ding Chun Hua**, aged 47, graduated with a Bachelor in Fermentation Engineering from Jiangnan University, China in 1989 and later obtained a Master in Fermentation Technology from the same university in 1991.

After graduating from Jiangnan University, he stayed on as a lecturer in its Biology Engineering Institute. In 1997, he established and managed Zhenjiang East Biotech Equipment and Technology Co., Ltd and is currently the Chairman of the company. In 2004, he went on to establish Zhenjiang Dong Yuan Biotech Co., Ltd to undertake R&D on hyaluronic acid as well as Jiangsu Haihua Bio-Technology Co., Ltd to conduct R&D on biological products.

In addition, Ding Chun Hua is also a Program Administrator of the People's Republic of China's Innovation Fund for Technology-based firms as well as a Program Administrator of several other programmes, including China-Russia High Technology Cooperation Programme National and Jiangsu Province Torch Program.

He is a member of a few scientific societies, including the Chinese Society for Microbiology, Biotechnology Association of Jiangsu, and Chinese Journal of Biotechnology. He is also a Director of the Zhenjiang Association of Special Equipments and was named as one of the "Ten Outstanding Young People" in Zhenjiang by the provisional government in 2004.

Please refer to Section 6.5 of this Prospectus for further details of our SAB and our R&D activities.

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**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**8.5 DECLARATIONS BY OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT**

None of our Promoters, Directors and key management is or has been involved in any of the following events, whether in or outside Malaysia:

- (i) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director of key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity.

**8.6 FAMILY RELATIONSHIPS AND/OR ASSOCIATION**

There is no family relationship and/or association between any of our Directors, Promoters, substantial shareholders and key management.

**8.7 BENEFITS PAID OR TO BE PAID OR GIVEN**

Save as disclosed in Section 8.2.4 of this Prospectus, there have been no amounts and benefits that have been or are intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the two (2) years preceding the date of this Prospectus.

**8.8 SERVICE AGREEMENTS**

There is no existing or proposed service agreement entered into or to be entered into between our Directors or any member of our key management and our Group as at the LPD.



## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 8.9 MANAGEMENT SUCCESSION PLAN

Our Board believes that the success of our Group depends on the ability and retention of our key management. Therefore, we have made efforts to train our employees and remunerate them accordingly. Our future success will also depend on our ability to attract and retain skilled personnel.

We have a management succession plan consisting of:

- (i) selection and recruitment;
- (ii) competitive remuneration and employee benefits;
- (iii) career planning and development; and
- (iv) continuous training and education.

As part of our management succession plan, we have put in place a process to groom new management staff to gradually assume the responsibilities of senior management. Our Group's strategy for management continuity is driven by our top management who is responsible for identifying key competencies and requirements of candidates. If the need arises, we will recruit qualified personnel with knowledge and expertise of our business to enhance our operations.

### 8.10 INFORMATION ON OUR EMPLOYEES AND TRAINING

#### 8.10.1 Employment Structure

As at the LPD, we have a total of 74 employees, including our Executive Directors, of which 17 employees are contract workers. The breakdown of our employees by category is as follows:

By categories	<----- No. of Employees ----->				Average Service as at the LPD		
	As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at the LPD	<1 Year	1 – 5 Years	> 5 Years
Director	2	3	3	3	-	1	2
Manager	4	2	10	10	2	8	-
Professional/ Executive	14	15	21	21	5	16	-
Clerical/ Non- Executive	1	0	8	8	5	3	-
General Worker	23	19	32	32	20	12	-
<b>Total</b>	<b>44</b>	<b>39</b>	<b>74</b>	<b>74</b>	<b>32</b>	<b>40</b>	<b>2</b>

The increase in the number of employees from 39 as at 31 December 2013 to 74 as at 31 December 2014 was mainly a result of the commencement of operations of our Bangi plant in end 2013 as well as the launch of our LifeSprings retail outlet in June 2014.

None of our employees are members of any union nor have there been any major industrial disputes in the past. In addition, our Group has not encountered any major turnover in our workforce.

## 8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

### 8.10.2 Training and Development

We view our employees as one of our key assets and place emphasis on staff retention by cultivating a safe, enjoyable and conducive working environment within our organisation. To further enhance the skill sets of our employees, they are encouraged to attend external training relevant to their positions.

In addition, we also provide on-the-job training for our employees with the aim of improving their overall skills and capabilities. Our on-the-job training programmes are conducted based on the mentor-mentee system.

Listed in the table below are some of the courses, training sessions and seminars attended by our staff from 2011 up to the LPD:

Training	Organiser	Year of Event
US Food and Drug Administration (USFDA) Regulations & Current GMP	MOA	2014
Seminar "Rural Transformation Centre (RTC)" Kawalan Ubat Tradisional Dan Produk Kosmetik 2014	BPFK	2014
GMP : Getting Ready For HACCP	UNIPEQ Sdn Bhd	2014
Seminar of Stable Micro Systems Powder Flow Analyser	Lee Hung Scientific Pte Ltd	2014
Seminar on Application of Malaysian Standards on Herbs for Local and Export Market	MOA	2014
Seminar Eksekutif Halal	Jabatan Agama Islam Selangor (JAIS)	2013
Workshop on NKEA	IMR	2013
Best Halal Practices in Food Industry	HDC	2013
Bengkel Amalan Perkilangan Baik	BPFK	2013
Industrial Biotechnology (Fermentation)	MBC & UPM (Institut BioSains)	2012
Technology Talk	MOA	2012
National Quality Summit	SIRIM Berhad	2012
GMP Training	Cambridge Management Sdn Bhd	2012
Halal Seminar - Food Product Safety by Scientific Halaalan Toyibba Approach	Lanceford (M) Sdn Bhd	2012
Food Safety	SGS (Malaysia) Sdn Bhd	2012
Halal Refresher Course	HDC	2012
Bengkel Top Down Directional Research Mapping	Herbal Development Office of MOA	2012
Amalan Pertanian dan Pengumpulan Baik untuk Bahan Mentah Herba Berkualiti	MOA	2012
Polymerase Chain Reaction Training	Eppendorf Asia Pacific Sdn Bhd	2012
Fermenter Structure Training	Zhengjiang Eastbio Biotech Equipment and Technology Co Ltd	2012
Hyaluronic Acid Seminar	Jiangsu Haihua Biotech Co Ltd	2012
Cordyceps spp. Strains	Bioresource Collection and Research Center	2012
Industrial Biotechnology Seminar	UPM	2012

**8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

<b>Training</b>	<b>Organiser</b>	<b>Year of Event</b>
Bengkel Bahan Mentah Herba (Raw Material Medicinal Plant) untuk Produk Semulajadi dan Suplemen Kesihatan	IMR	2012
Natural Product Discovery and Commercialization Cluster	MBC	2012
Intellectual Property Strategy for Herbal Extracts	MOA	2012
Gencor Pacific & Monteloeder products Seminar	Nutrisyl Sdn Bhd	2012
Food Safety Seminar	Agilent Technologies Sdn Bhd	2012
"Future Roles of Herbal Products in the Global Arena : Challenges to Malaysia" Seminar	MOA	2012
Tools and Measurement of Critical Control Point in Food Industries	TMS Medical and Scientific Sdn Bhd	2012
Training on Blisterpack Machine in Nanjing	Nanjing Huale Machinery Co. Ltd.	2011
Training on Coating Machine in Shenzhen	Shenzhen Hengxing Equipment Factory	2011
Training on Granulator Machine in Hangzhou	Fulling & Ceiec Co. Ltd.	2011

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## 9. APPROVALS AND CONDITIONS

### 9.1 APPROVALS AND CONDITIONS

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, via its letter dated 21 July 2014, approved the relief sought by us from having to comply with certain requirements under Part I, Division 1 of the Prospectus Guidelines (“**Prospectus Guidelines**”) issued by the SC. The details of the relief sought and the corresponding conditions imposed by the SC are as follows:

Reference in the Prospectus Guidelines	Relief Sought	Condition Imposed	Status of Compliance
Paragraph 12.10	Relief from inclusion of interim audited financial statements for purpose of submission of registrable prospectus after 30 June 2014	(i) Submission of the latest audited financial statements should not exceed nine (9) months from the most recent year;	Complied.
		(ii) A copy of the interim unaudited financial statements as well as the management’s discussion and analysis on the said statements should be separately provided at the submission stage for SC’s information only;	Complied.
		(iii) The interim audited financial statements and the updated prospectus should be submitted to the SC two (2) weeks prior to the confirmation of registration of the Prospectus; and	Complied.
		(iv) Material deviation, if any, between interim unaudited financial statements and the interim audited financial statements should be highlighted and clarified to the SC, upon submission of the required information under paragraph (ii) above.	Complied.

**9. APPROVALS AND CONDITIONS (Cont'd)**

Bursa Securities had, via its letter dated 21 January 2015, approved our admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market of Bursa Securities. The approval from Bursa Securities was subject to the following conditions:

<b>No.</b>	<b>Condition Imposed</b>	<b>Status of Compliance</b>
1.	To disclose under risk factors in the prospectus, risks to the Company if MTDC and/or MBC do not grant consent to BHB Group from undertaking activities stated in the salient terms of grants awarded by the above parties.	Complied. Please refer to Section 4.1.7 of this Prospectus.
2.	Any directors of the Company that has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company.	Complied.
3.	Submit the following information in respect of the moratorium on the shareholdings of promoters to Bursa Depository: <ul style="list-style-type: none"> <li>(i) Name of shareholders;</li> <li>(ii) Number of shares; and</li> <li>(iii) Date of expiry of the moratorium for each block of shares.</li> </ul>	Complied.
4.	Obtain approvals from other relevant authorities for implementation of the listing proposal.	Complied.
5.	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements.	To be complied prior to Listing.
6.	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued and paid-up share capital of BHB on the first day of listing.	To be complied upon Listing.
7.	In relation to the public offering to be undertaken by BHB, to announce at least two (2) Market Days prior to the listing date, the result of the offering including the following: <ul style="list-style-type: none"> <li>(i) Level of subscription of public balloting and placement ;</li> <li>(ii) Basis of allotment/allocation;</li> <li>(iii) A table showing the distribution for placement tranche, in format attached in Appendix I of the approval letter of Bursa Securities dated 21 January 2015; and</li> <li>(iv) Disclosure of placees who become substantial shareholder of BHB arising from the public offering, if any.</li> </ul> <p>Kenanga IB to ensure that the overall distribution of BHB's securities is properly carried out to provide an orderly trading in the secondary market.</p>	To be complied prior to Listing.
8.	BHB/Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List on the ACE Market is completed.	To be complied upon Listing.

## 9. APPROVALS AND CONDITIONS (Cont'd)

Further, Bursa Securities had, via the same letter, approved our application for a waiver from complying with Rule 3.19(2) of the Listing Requirements in relation to moratorium undertaking to Bursa Securities by all direct and indirect shareholders of MTDC and PNS, up to the ultimate individual shareholders.

### 9.2 MORATORIUM ON OUR SHARES

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Promoters as follows:

- (i) The moratorium applies to our Promoters' entire shareholdings for a period of six (6) months from the date of our admission to the ACE Market;
- (ii) Upon the expiry of the six (6) months period stated above, our Promoters aggregate shareholdings amounting to at least 45% of our issued and paid-up share capital shall remain under moratorium for another period of six (6) months; and
- (iii) Thereafter, our Promoters may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line basis) of our Shares held under moratorium.

The moratorium shall be imposed according to the following:

	Shares Under Moratorium for the First 6 months upon Listing		Shares under Moratorium for the Subsequent 6 Months	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
William Hon	122,103,560	26.35	81,471,983	17.58
PNS	105,387,077	22.74	70,318,131	15.17
MTDC	81,402,920	17.56	54,315,020	11.72
Dato' Sri Syed Zainal	3,643,037	0.79	2,430,769	0.53
<b>Total</b>	<b>312,536,594</b>	<b>67.44</b>	<b>208,535,903</b>	<b>45.00</b>

Note:

(1) Based on our enlarged issued and paid-up share capital after our IPO.

The moratorium, which is fully accepted by our Promoters, is specifically endorsed on the share certificates representing our Promoters' shareholdings to ensure that our Share Registrar will not register any sale, transfer or assignment which are not in compliance with the above moratorium.

Pursuant to Rule 3.19(2) of the Listing Requirements, where the promoter is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will comply with the moratorium ("**Moratorium Undertaking**").

In this regard, as set out in Section 9.1 of this Prospectus, a waiver has been obtained from Bursa Securities for the direct and indirect shareholders of MTDC and PNS, namely Khazanah, MOF (Inc), MOF and Federal Lands Commissioner, from providing the Moratorium Undertaking.

## 10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

### 10.1 RELATED PARTY TRANSACTIONS

Under the Listing Requirements, a 'related party transaction' is a transaction entered into by a listed issuer or its subsidiaries that involves the interests, direct or indirect, of a related party. A 'related party' of a listed issuer is:

- (i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder meaning a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:
  - (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
  - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation, or
- (iii) a person connected with such director or major shareholder.

#### 10.1.1 Existing and Proposed Related Party Transactions

Save as disclosed below, there are no existing or proposed related party transactions which have been entered into or are to be entered into by our Group during the past three (3) FYE 31 December 2011 to 2013, FPE 30 September 2014 and up to our annual general meeting in June 2015.

Date of Transaction	Transacting Parties	Nature and Amount of Transaction
26 August 2014	BISB and William Hon, our substantial shareholder and Managing Director/ Chief Executive Officer	Transfer of all proprietary rights of the trademark "Bexlim <sup>®</sup> " owned by William Hon to BISB for a nominal amount of RM1.00

Our Board, having considered all aspects of the related party transaction, is of the opinion that the related party transaction is not detrimental to our Group and our minority shareholders and is in our best interests.

Upon Listing, our Board, through our Audit Committee, will ensure that any related party transactions (inclusive of recurrent related party transactions) are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to our detriment or the detriment of our minority shareholders.

**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****10.2 INTERESTS IN SIMILAR BUSINESSES AND OTHER CONFLICT OF INTEREST**

Save as disclosed below, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group or businesses or corporations which are also our customers or suppliers as at the LPD:

Substantial Shareholder	Company	Nature of Interest	Direct Interest %	Indirect Interest %
Khazanah	<i>Similar trade as that of our Group:</i>			
	• Biotropics Malaysia Berhad	Shareholder	100	-
MOF (Inc.)	<i>Similar trade as that of our Group:</i>			
	• Biotropics Malaysia Berhad	Shareholder	-	100
MOF	<i>Similar trade as that of our Group:</i>			
	• Biotropics Malaysia Berhad	Shareholder	-	100
	• TPM Biotech Sdn Bhd	Shareholder	-	100

Our Board is of the opinion that the conflict of interest situation arising from the interests of our indirect substantial shareholders in other businesses or corporations carrying on a trade similar to that of our Group is mitigated due to the following:

- (i) These substantial shareholders, including PNS and MTDC, are not involved in our day-to-day activities and operations. In addition, PNS' and MTDC's board representatives in our Group, which constitute two (2) out of our nine (9) Directors, are in a non-executive capacity to primarily safeguard their interests in our Group. Thus, these substantial shareholders do not interfere nor participate in our operational matters, which are managed by our Executive Directors and key management;
- (ii) Biotropics Malaysia Berhad ("**Biotropics**") is principally involved in R&D, manufacturing and marketing of natural supplement products based on herbs such as tongkat ali, kacip fatimah and kesum (*polygonum minus*) under its house brands which are different from our house brands. In view that our substantial shareholders do not interfere nor participate in our operational matters as well as the different house brands, the conflict of interest situation is mitigated; and
- (iii) TPM Biotech Sdn Bhd ("**TPMB**") is principally involved in contract research and manufacturing services for agro-based, nutraceutical and healthcare related companies as an OEM, that is using their customers' product formulations. On the other hand, we 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, that is using our own product formulations, which contributed to more than 90% of our total revenue during the financial years and period under review. In view that our substantial shareholders do not interfere nor participate in our operational matters as well as we are principally manufacturing products using our own formulations rather than customers' formulations, the conflict of interest situation is mitigated.

Notwithstanding the above, in the event of a conflict of interest situation, such substantial shareholders and persons connected to them are obliged, if required by law or regulations, to abstain from voting on the resolutions relating to such matters or transactions that require the approval of our shareholders in respect of their direct and indirect interests. Further, their board representatives are obliged, if required by law or regulations, to abstain from deliberations and voting on the resolutions relating to such matters or transactions.



**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

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**10.3 OTHER TRANSACTIONS**

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party to during the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2014.

There are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of our related parties for the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2014.

**10.4 DECLARATIONS BY OUR ADVISERS**

Kenanga IB confirms that there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO.

Cheang & Ariff confirms that there is no existing or potential conflict of interest in its capacity as the Legal Adviser to our Company in relation to our IPO.

UHY confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in relation to our IPO.

SZ confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in relation to our IPO.

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## 11. FINANCIAL INFORMATION

Our pro forma consolidated financial statements have been prepared using the bases and accounting policies consistent with those adopted by our Group. The audited financial statements used in the preparation of our pro forma consolidated financial statements were prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the Act.

The following financial information should be read in conjunction with the ‘Management Discussion and Analysis of Financial Condition and Results of Operations’ as set out in Section 12 of this Prospectus together with the Reporting Accountants’ Letter on Pro Forma Consolidated Financial Information and the Accountants’ Report as set out in Sections 11.4 and 13 of this Prospectus.

### 11.1 AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following table sets out our consolidated statements of comprehensive income for the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2013 and 2014:

	<----- 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 <sup>(1)</sup>	6,501	9,342	10,361	4,837	6,552
GP margin (%) <sup>(2)</sup>	50.55	58.45	51.80	55.95	48.62
PBT margin (%) <sup>(3)</sup>	39.03	39.55	30.69	24.24	21.78
Net profit margin (%) <sup>(4)</sup>	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) <sup>(5)</sup>	2.89	4.39	3.50	1.81	2.51
Net EPS (sen) <sup>(6)</sup>	2.14	2.83	1.73	0.74	1.05
Diluted net EPS (sen) <sup>(7)</sup>	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.

**11. FINANCIAL INFORMATION (Cont'd)**(1) *Computation of EBITDA is as 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
<i>Net profit</i>	5,431	7,152	6,338	2,776	3,734
<i>Add: Finance costs</i>	31	200	350	195	153
<i>Taxation</i>	247	409	1,201	82	354
<i>Depreciation of property, plant and equipment</i>	664	1,358	2,095	1,474	1,811
<i>Amortisation of development expenditures</i>	147	223	444	330	718
<i>Less: Interest income</i>	(14)	^	(68)	(10)	(218)
<b>EBITDA</b>	<b>6,502</b>	<b>9,342</b>	<b>10,361</b>	<b>4,847</b>	<b>6,552</b>

^ *Less than RM1,000.*(2) *Calculated based on GP divided by revenue.*(3) *Calculated based on PBT divided by revenue.*(4) *Calculated based on net profit divided by revenue.*(5) *Calculated based on GP divided by the number of Shares in issue.*(6) *Calculated based on net profit attributable to owners of the parent divided by the number of Shares in issue.*(7) *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.*

There was no share of profits of associates or joint venture, and no exceptional or extraordinary items throughout the financial years under review.

The audited financial statements of our Group for the financial years and period under review were reported upon without any audit qualification.

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**11. FINANCIAL INFORMATION (Cont'd)****11.2 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
<b>Non-Current Assets</b>			
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>
<b>Current Assets</b>			
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>
<b>Total Assets</b>	<u>62,957</u>	<u>82,957</u>	<u>78,037</u>
<b>Equity</b>			
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)
<b>Total Equity</b>	<u>52,192</u>	<u>72,192</u>	<u>69,892</u>
<b>Non-Current Liabilities</b>			
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>
<b>Current Liabilities</b>			
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>
<b>Total Liabilities</b>	<u>10,765</u>	<u>10,765</u>	<u>8,145</u>
<b>Total Equity and Liabilities</b>	<u>62,957</u>	<u>82,957</u>	<u>78,037</u>
NA	52,282	72,282	69,982
Number of Shares in issue	363,413	463,413	463,413
NA attributable to equity holders per Share (sen)	14.39	15.60	15.10

**11. FINANCIAL INFORMATION (Cont'd)****11.3 PRO FORMA CONSOLIDATED STATEMENT OF 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.

	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>	
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)
<b>Net cash from operating activities</b>	<b>1,329</b>
<b>Cash Flows From Investing Activities</b>	
Additional development expenditure	(5,730)
Purchase of property, plant and equipment	(5,965)
Deposits paid for purchase of property, plant and equipment	(2,125)
<b>Net cash used in investing activities</b>	<b>(13,820)</b>
<b>Cash Flows From Financing Activities</b>	
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 lease payables	(511)
Repayment of term loans	(2,494)
<b>Net cash from financing activities</b>	<b>19,279</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,788</b>
Effect of exchange rate changes	23
Cash and cash equivalents at beginning of the financial period	10,192
<b>Cash and cash equivalents at end of the financial period</b>	<b>17,003</b>
<b>Cash and cash equivalents at end of the financial period comprises:</b>	
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

11. FINANCIAL INFORMATION (*Cont'd*)

11.4 REPORTING ACCOUNTANTS' LETTER ON OUR PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



16 MAR 2015

The Board of Directors  
Bioalpha Holdings Berhad  
Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
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Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email [uhykl@uhy.com.my](mailto:uhykl@uhy.com.my)  
Web [www.uhy.com.my](http://www.uhy.com.my)

Dear Sirs,

**BIOALPHA HOLDINGS BERHAD (“BHB”)  
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

We report on the pro forma consolidated financial information of BHB and its subsidiaries (“Group”) for the three financial years ended (“FYE”) 31 December 2011, 31 December 2012, 31 December 2013 and the financial period ended (“FPE”) 30 September 2014 together with the accompanying notes thereon, which we have stamped for the purpose of identification.

The pro forma consolidated financial information of BHB has been prepared for illustrative purposes only for inclusion in the prospectus of BHB in connection with the listing of and quotation for its entire enlarged issued and paid-up share capital on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Prospectus”). The pro forma consolidated financial information has been compiled by the Directors of BHB to illustrate:

- (a) the audited financial results of the Group for the FPE 30 September 2014;
- (b) the financial position of the Group as at 30 September 2014, adjusted for the effects of the Listing Scheme (as defined in the accompanying notes) and utilisation of proceeds from the Initial Public Offering of BHB (“IPO”); and
- (c) the cash flows of the Group for the FPE 30 September 2014 adjusted for the effects of the Listing Scheme and utilisation of proceeds from the IPO.

As the pro forma consolidated financial information has been prepared for illustrative purposes only, such information, because of its nature, may not reflect the Group’s actual financial results, financial position and cash flows. Further, such information does not predict the Group’s future financial results, financial position and cash flows.



## BIOALPHA HOLDINGS BERHAD PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

### Responsibilities

It is the sole responsibility of the Directors of BHB to prepare the pro forma consolidated financial information in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

It is our responsibility to express an opinion, as required by the Prospectus Guidelines, on whether the pro forma consolidated financial information has been compiled, in all material respects, by the Directors on the basis of the IPO.

### Basis of opinion

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires us to comply with the ethical requirements and plan and perform procedures to obtain reasonable assurance on whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the Listing Scheme and in accordance with the Prospectus Guidelines.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.



**BIOALPHA HOLDINGS BERHAD  
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information. We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion:

- (a) the pro forma consolidated financial information of BHB as set out in the accompanying notes, which is provided for illustrative purposes only, has been prepared based on the audited consolidated financial statements of BHB for the FYE 31 December 2011, 31 December 2012, 31 December 2013 and FPE 30 September 2014 and in accordance with MFRS and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group and after taking into account adjustments appropriate for the purposes of the pro forma consolidated financial information as set out in the accompanying notes; and
- (b) the adjustments made to the information used in the preparation of the pro forma consolidated financial information are appropriate for the purposes of preparing the pro forma consolidated financial information.

**Other Matter**

This letter has been prepared for the purpose of inclusion in the Prospectus issued in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of BHB on the ACE Market of Bursa Securities. As such, this letter should not be relied on for any other purposes without our prior consent.

Yours faithfully,

UHY

Firm Number: AF 1411  
Chartered Accountants

NG WEE TEIK

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

KUALA LUMPUR





## BIOALPHA HOLDINGS BERHAD NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

### 1. Introduction

The pro forma consolidated financial information, comprising the audited consolidated statement of comprehensive income for the FYE 31 December 2011 to 31 December 2013 and FPE 30 September 2014, pro forma consolidated statement of financial position as at 30 September 2014 and pro forma consolidated statement of cash flows for the FPE 30 September 2014 for which the Directors of BHB are solely responsible, has been prepared for illustration purposes only, for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of BHB on the ACE Market of Bursa Securities ("Listing").

### 2. Effects on the Pro Forma Consolidated Statement of Financial Position

#### Listing Scheme

In conjunction with, and as an integral part of the Listing, BHB intends to undertake the following:

#### 2.1 Public Issue

Pursuant to the Public Issue, the Company shall issue 100,000,000 ordinary shares of RM0.05 each in BHB ("Shares") at an issue price of RM0.20 per Share ("IPO Shares") to be allocated in the manner explained below, which is subject to clawback and reallocation.

##### 2.1.1 Public ("Public Tranche")

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

##### 2.1.2 Selected Investors via Placement ("Placement Tranche")

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



11. FINANCIAL INFORMATION (Cont'd)

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**BIOALPHA HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION  
(CONT'D)**

**2. Effects on the Pro Forma Consolidated Statement of Financial Position (Cont'd)**

2.1 Public Issue (Cont'd)

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

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

2.2 Listing and Quotation

Subsequent to the completion of the Public Issue, BHB shall undertake the Listing involving the listing of and quotation for its entire enlarged issued and paid-up share capital of RM23,170,656 comprising 463,413,114 Shares on the ACE Market of Bursa Securities.

(Collectively referred to as the "Listing Scheme")



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**3. Basis of Preparation**

3.1 The pro forma consolidated financial information of BHB is prepared for illustrative purposes only and has been prepared using the bases and accounting policies consistent with those adopted by the Group, after giving effect to the adjustments considered appropriate.

The pro forma consolidated financial information has been prepared for illustrative purposes based on the audited financial statements of the Group for the FYE 31 December 2011, 31 December 2012, 31 December 2013 and FPE 30 September 2014. The audited financial statements used in the preparation of this report for the financial years under review were not subject to any qualification or modification.

3.2 The pro forma consolidated financial information comprises the following:

- (a) the Audited Consolidated Statement of Comprehensive Income for the FYE 31 December 2011 to 31 December 2013 and FPE 30 September 2014;
- (b) the Pro Forma Consolidated Statement of Financial Position as at 30 September 2014, adjusted for the effects of the Listing Scheme and utilisation of proceeds from the IPO; and
- (c) the Pro Forma Consolidated Statement of Cash Flows for the FPE 30 September 2014, adjusted for the effects of the Listing Scheme and utilisation of proceeds from the IPO.

3.3 The pro forma consolidated financial information has been prepared in accordance with MFRS and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group and after taking into account adjustments appropriate for the purposes of the pro forma consolidated financial information as set out in the accompanying notes.



## 11. FINANCIAL INFORMATION (Cont'd)


**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**
**4. Audited Consolidated Statement of Comprehensive Income for the FYE 31 December 2011 to 31 December 2013 and FPE 30 September 2014**

4.1 The audited consolidated statement of comprehensive income of the Group for the FYE 31 December 2011 to 31 December 2013 and FPE 30 September 2014 are set out below.

	←----- Audited ----->			
	←-----FYE 31 December----->			FPE 30 September
	2011 RM	2012 RM	2013 RM	2014 RM
Revenue	14,549,667	19,116,706	24,569,586	18,764,961
Cost of sales	(7,194,393) *	(7,942,336) *	(11,841,665)	(9,642,368)
<b>Gross profit</b>	<u>7,355,274</u>	<u>11,174,370</u>	<u>12,727,921</u>	<u>9,122,593</u>
Other income	34,965	1,593,940	1,306,121	4,301,570
Administration expenses	(1,680,692) *	(5,007,195) *	(6,144,065)	(9,183,533)
Finance costs	(31,318)	(200,077)	(350,298)	(153,202)
<b>Profit before taxation</b>	<u>5,678,229</u>	<u>7,561,038</u>	<u>7,539,679</u>	<u>4,087,428</u>
Taxation	(246,919)	(408,550)	(1,201,397)	(353,741)
<b>Net profit for the financial year, representing total comprehensive income for the financial year</b>	<u>5,431,310</u>	<u>7,152,488</u>	<u>6,338,282</u>	<u>3,733,687</u>
<b>Net profit for the financial year/period attributable to:</b>				
Owners of the parent	5,435,026	7,194,165	6,294,259	3,830,948
Non-controlling interests	(3,716)	(41,677)	44,023	(97,261)
	<u>5,431,310</u>	<u>7,152,488</u>	<u>6,338,282</u>	<u>3,733,687</u>

Note:

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



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**4. Audited Consolidated Statement of Comprehensive Income for the FYE 31 December 2011 to 31 December 2013 and FPE 30 September 2014 (Cont'd)**

	<----- Audited ----->			
	<-----FYE 31 December----->			FPE 30 September
	2011 RM	2012 RM	2013 RM	2014 RM
Earnings before interest, tax, depreciation and amortisation	6,501,535	9,342,103	10,361,145	6,551,719
Number of ordinary shares	254,383,000	254,383,000	363,413,114	363,413,114
Gross profit margin (%)	50.55	58.45	51.80	48.62
Profit before tax margin (%)	39.03	39.55	30.69	21.78
Net profit margin (%)	37.33	37.41	25.80	19.90
Effective tax rate (%)	4.35	5.40	15.93	8.65
Gross earnings per share (sen)	2.89	4.39	3.50	2.51
Net earnings per share (sen)	2.14	2.83	1.73	1.05
Diluted net earnings per share (%)	1.17	1.55	1.36	0.83

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11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD  
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION  
(CONT'D)**

**4. Pro Forma Consolidated Statement of Comprehensive Income for the FYE  
31 December 2011 to 31 December 2013 and FPE 30 September 2014 (Cont'd)**

4.2 Notes to the pro forma consolidated statement of comprehensive income are as follows:

4.2.1 The gross profit margin is computed by dividing the gross profit by the revenue earned in the respective financial years/period.

4.2.2 The profit before tax margin is computed by dividing the profit before taxation by the revenue earned in the respective financial years/period.

4.2.3 The net profit margin is computed by dividing the profit after taxation by the revenue earned in the respective financial years/period.

4.2.4 The gross earnings per share is computed by dividing the gross profit by the number of ordinary shares in the respective financial years/period.

4.2.5 The net earnings per share is computed by dividing the net profit attributable to owners of the parent by the number of shares in issue in the respective financial years/period.

4.2.6 The diluted net earnings per share is computed by dividing the net profit attributable to owners of the parent by the enlarged number of shares after the Listing Scheme of 463,413,114 Shares.

4.2.7 All inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

4.2.8 There was no share of profits of joint venture or associates throughout the financial years/period under review.

4.2.9 There were no exceptional or extraordinary items throughout the financial years/period under review.



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**5. Pro Forma Consolidated Statement of Financial Position as at 30 September 2014**

The pro forma consolidated statement of financial position of BHB as at 30 September 2014 has been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing Scheme were completed on that date.

	Note	As at 30 September 2014 RM	Pro Forma	
			I After IPO RM	II After Pro Forma I and Utilisation of Proceeds RM
<b>Non-Current Assets</b>				
Property, plant and equipment	5.2	18,523,313	18,523,313	21,523,313
Development expenditures	5.3	7,539,604	7,539,604	10,539,604
		<u>26,062,917</u>	<u>26,062,917</u>	<u>32,062,917</u>
<b>Current Assets</b>				
Inventories		3,495,311	3,495,311	3,495,311
Trade and other receivables		24,898,535	24,898,535	24,898,535
Tax recoverable		38,741	38,741	38,741
Fixed deposits with licensed banks		2,408,859	2,408,859	2,408,859
Cash and bank balances	5.4	6,051,918	26,051,918	15,131,918
		<u>36,893,364</u>	<u>56,893,364</u>	<u>45,973,364</u>
<b>Total Assets</b>		<u>62,956,281</u>	<u>82,956,281</u>	<u>78,036,281</u>
<b>Equity</b>				
Share capital	5.5	18,170,656	23,170,656	23,170,656
Share premium	5.6	11,556,808	26,556,808	25,918,808
Merger deficits		(4,969,130)	(4,969,130)	(4,969,130)
Retained profits	5.7	27,523,278	27,523,278	25,861,278
<b>Equity attributable to owners of the parent</b>		52,281,612	72,281,612	69,981,612
Non-controlling interests		(89,861)	(89,861)	(89,861)
<b>Total Equity</b>		<u>52,191,751</u>	<u>72,191,751</u>	<u>69,891,751</u>



## 11. FINANCIAL INFORMATION (Cont'd)


**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**
**5. Pro Forma Consolidated Statement of Financial Position as at 30 September 2014**  
**(Cont'd)**

	Note	As at 30 September 2014 RM	<----- Pro Forma ----->	
			I After IPO RM	II After Pro Forma I and Utilisation of Proceeds RM
<b>Non-Current Liabilities</b>				
Finance lease payables	5.8	363,716	363,716	50,716
Bank borrowings	5.9	2,305,578	2,305,578	-
Deferred tax liabilities		1,806,500	1,806,500	1,806,500
		<u>4,475,794</u>	<u>4,475,794</u>	<u>1,857,216</u>
<b>Current Liabilities</b>				
Trade and other payables		5,244,952	5,244,952	5,244,952
Amount owing to a Director		40,412	40,412	40,412
Finance lease payables	5.8	262,476	262,476	262,476
Bank borrowings	5.9	708,322	708,322	706,900
Tax payable		32,574	32,574	32,574
		<u>6,288,736</u>	<u>6,288,736</u>	<u>6,287,314</u>
<b>Total Liabilities</b>		<u>10,764,530</u>	<u>10,764,530</u>	<u>8,144,530</u>
<b>Total Equity and Liabilities</b>		<u>62,956,281</u>	<u>82,956,281</u>	<u>78,036,281</u>
<b>Net assets</b>		<u>52,281,612</u>	<u>72,281,612</u>	<u>69,981,612</u>
<b>Number of Shares</b>		<u>363,413,114</u>	<u>463,413,114</u>	<u>463,413,114</u>
<b>Net assets attributable to equity holders per share (sen)</b>		<u>14.39</u>	<u>15.60</u>	<u>15.10</u>





## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**5. Pro Forma Consolidated Statement of Financial Position as at 30 September 2014**  
**(Cont'd)**

**5.1 Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial**  
**Position**

**Pro Forma I**

Pro forma I incorporates the effects after the incorporation of the Public Issue.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase from RM18,170,656 comprising 363,413,114 Shares to RM23,170,656 comprising 463,413,114 Shares.

**Pro Forma II**

Pro forma II incorporates the effects of Pro forma I and after the Listing and the proposed utilisation of proceeds from the IPO.

The gross proceeds arising from the IPO will be utilised by the Group in the following manner:

	RM'000	%
Capital expenditure	3,000	15.00
Development expenditure	3,000	15.00
Repayment of bank borrowings	2,620	13.10
Working capital	9,080	45.40
Estimated listing expenses*	2,300	11.50
<b>Total gross proceeds</b>	<b>20,000</b>	<b>100.00</b>

\* The listing expenses are estimated to be RM2,300,000, of which an amount of RM638,000 in respect of share issuance expenses will be set off against the share premium account and the balance of RM1,662,000 will be charged to the statement of comprehensive income.



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**5. Pro Forma Consolidated Statement of Financial Position as at 30 September 2014**  
**(Cont'd)**

**5.2 Property, Plant and Equipment**

	Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Leasehold land and factory building	4,067,129	97,029	3,970,100
Computer system and peripherals	480,777	282,380	198,397
Furniture fittings	207,283	76,944	130,339
Lab and office equipment	593,179	139,008	454,171
Motor vehicles	607,503	271,170	336,333
Plant and machineries	13,150,731	4,171,829	8,978,902
Renovations	3,468,966	966,353	2,502,613
Signage and display items	860,215	238,119	622,096
Infrastructure expenditures	1,226,550	336,188	890,362
Capital work-in-progress	440,000	-	440,000
As at 30 September/As per Pro forma I	25,102,333	6,579,020	18,523,313
Proposed utilisation of proceeds from the IPO	3,000,000	-	3,000,000
As per Pro forma II	28,102,333	6,579,020	21,523,313

**5.3 Development Expenditures**

	RM
As at 30 September/As per Pro forma I	7,539,604
Proposed utilisation of proceeds from the IPO	3,000,000
As per Pro forma II	10,539,604



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**5. Pro Forma Consolidated Statement of Financial Position as at 30 September 2014**  
**(Cont'd)**

**5.4 Cash and Bank Balances**

	RM
As at 30 September 2014	6,051,918
Public Issue	<u>20,000,000</u>
As per Pro forma I	26,051,918
Proposed utilisation of proceeds from the IPO	<u>(10,920,000)</u>
As per Pro forma II	<u>15,131,918</u>

**5.5 Share Capital**

	Number of shares Unit	Amount RM
<b>Ordinary shares of RM0.05 each</b>		
As at 30 September 2014	363,413,114	18,170,656
Public Issue	<u>100,000,000</u>	<u>5,000,000</u>
As per Pro forma I/II	<u>463,413,114</u>	<u>23,170,656</u>

**5.6 Share Premium**

	RM
As at 30 September 2014	11,556,808
Public Issue	<u>15,000,000</u>
As per Pro forma I	26,556,808
Proposed utilisation of proceeds from the IPO	<u>(638,000)</u>
As per Pro forma II	<u>25,918,808</u>

The share premium is arrived at after accounting for the premium received (less listing expenses of RM638,000) over the nominal value of shares issued pursuant to the Public Issue.



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**5. Pro Forma Consolidated Statement of Financial Position as at 30 September 2014**  
**(Cont'd)**

**5.7 Retained Profits**

	RM
As at 30 September/As per Pro forma I	27,523,278
Proposed utilisation of proceeds from the IPO	<u>(1,662,000)</u>
As per Pro forma II	<u>25,861,278</u>

**5.8 Finance Lease Payables**

	Non-current liabilities RM	Current liabilities RM	Total RM
As at 30 September/ As per Pro forma I	363,716	262,476	626,192
Proposed utilisation of proceeds from the IPO	<u>(313,000)</u>	-	<u>(313,000)</u>
As per Pro forma II	<u>50,716</u>	<u>262,476</u>	<u>313,192</u>

**5.9 Bank Borrowings**

	Non-current liabilities RM	Current liabilities RM	Total RM
As at 30 September/ As per Pro forma I	2,305,578	708,322	3,013,900
Proposed utilisation of proceeds from the IPO	<u>(2,305,578)</u>	<u>(1,422)</u>	<u>(2,307,000)</u>
As per Pro forma II	<u>-</u>	<u>706,900</u>	<u>706,900</u>



## 11. FINANCIAL INFORMATION (Cont'd)



**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

**6. Pro Forma Consolidated Statement of Cash Flows**

The pro forma consolidated statement of cash flows for the FPE 30 September 2014 has been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing Scheme has been completed on that date.

	RM
<b>Cash Flows From Operating Activities</b>	
Cash receipts from customers	16,471,381
Cash paid to suppliers and employees	(15,054,185)
Cash generated from operations	<u>1,417,196</u>
Interest paid	(153,202)
Interest received	217,580
Tax paid	(152,999)
	<u>(88,621)</u>
Net cash from operating activities	<u>1,328,575</u>
<b>Cash Flows From Investing Activities</b>	
Additional development expenditure	(5,729,703)
Purchase of property, plant and equipment	(5,965,121)
Deposits paid for purchase of property, plant and equipment	<u>(2,124,909)</u>
Net cash used in investing activities	<u>(13,819,733)</u>

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## 11. FINANCIAL INFORMATION (Cont'd)


**BIOALPHA HOLDINGS BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**(CONT'D)**

## 6. Pro Forma Consolidated Statement of Cash Flows (Cont'd)

	RM
<b>Cash Flows From Financing Activities</b>	
Proceeds from IPO	20,000,000
Payment for listing expenses	(2,300,000)
Grant received	4,517,809
Net changes in banker's acceptances	(393,982)
Increased in fixed deposits pledged	459,829
Repayment of finance leases payables	(510,590)
Repayment of term loans	(2,494,078)
Net cash from financing activities	<u>19,278,988</u>
<b>Net increase in cash and cash equivalents</b>	6,787,830
<b>Effect of exchange rate changes</b>	23,229
<b>Cash and cash equivalents at beginning of the financial period</b>	<u>10,192,008</u>
<b>Cash and cash equivalents at end of the financial period</b>	<u>17,003,067</u>
<b>Cash and cash equivalents at end of the financial period comprise:</b>	
Bank overdraft	(291,351)
Cash and bank balances	15,131,918
Fixed deposits with licensed banks	2,408,859
	<u>17,249,426</u>
Less: Fixed deposits pledged with licensed banks	(246,359)
	<u>17,003,067</u>

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**11. FINANCIAL INFORMATION (Cont'd)****11.5 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our pro forma consolidated cash and cash equivalents, capitalisation and indebtedness as at 30 September 2014 adjusted for our IPO and utilisation of proceeds.

	As at 30 September 2014 RM'000	After IPO and Utilisation of Proceeds RM'000
<b>Cash and cash equivalents</b>		
Cash and bank balances	6,052	15,132
Fixed deposits with licensed banks	2,409	2,409
	<u>8,461</u>	<u>17,541</u>
<b>Indebtedness</b>		
<u>Non-current</u>		
<i>Secured and guaranteed</i>		
Finance lease payables	364	51
Bank borrowings	2,306	-
	<u>2,670</u>	<u>51</u>
<u>Current</u>		
<i>Secured and guaranteed</i>		
Finance lease payables	262	262
Bank borrowings	708	707
	<u>970</u>	<u>969</u>
<b>Total indebtedness</b>	3,640	1,020
<b>Capitalisation</b>		
Equity attributable to owners of the parent	52,282	69,982
<b>Total capitalisation and indebtedness</b>	<u>55,922</u>	<u>71,002</u>
<b>Debts to equity ratio (times)</b>	0.07	0.01

The indirect and/or contingent liabilities of our Group are set out in Section 12.3.8 of this Prospectus.

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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with the notes, assumptions and bases included in the Reporting Accountants' Letter on Pro Forma Consolidated Financial Information and the Accountants' Report as set out in Sections 11.4 and 13 of this Prospectus respectively.

This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ significantly from those anticipated in these forward-looking statements as a result of any number of factors, including those set out under 'Risk Factors' in Section 4 of this Prospectus.

### 12.1 OVERVIEW

#### Revenue

We 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.

The following tables set out a breakdown of our revenue by activities, companies and geographical location for FYE 31 December 2011 ("FYE 2011"), FYE 31 December 2012 ("FYE 2012"), FYE 31 December 2013 ("FYE 2013"), FPE 30 September 2013 ("FPE 2013") and FPE 30 September 2014 ("FPE 2014"):

#### (i) By activities

ODM	:	Manufacturing and sales of finished health supplement products as an ODM
Formulated ingredients	:	Manufacturing and sales of semi-finished formulated ingredients under our house brands
House brand	:	Manufacturing and sales of finished health supplement products under our house brands
Processed herbs	:	Processing and sales of processed herbs
Others	:	Including manufacturing of finished health supplement products as an OEM

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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	FYE 31 December		FPE 30 September							
	Audited		Unaudited							
	2011	2012	2013	2014						
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
ODM	2,428	16.69	5,157	26.98	8,337	33.93	3,111	26.39	5,503	29.33
Formulated ingredients	7,102	48.81	7,302	38.20	7,464	30.38	4,780	40.55	5,255	28.00
House brand	3,647	25.07	5,246	27.44	6,426	26.15	3,080	26.13	6,413	34.18
Processed herbs	1,288	8.85	1,316	6.88	2,247	9.15	736	6.24	1,459	7.78
Others	85	0.58	96	0.50	96	0.39	81	0.69	135	0.71
<b>Total revenue</b>	<b>14,550</b>	<b>100.00</b>	<b>19,117</b>	<b>100.00</b>	<b>24,570</b>	<b>100.00</b>	<b>11,788</b>	<b>100.00</b>	<b>18,765</b>	<b>100.00</b>

The majority of our revenue is derived from our activities of manufacturing and sales of finished and semi-finished health supplement products as an ODM and under our house brands, which collectively contributed 90.57%, 92.62%, 90.46% and 91.51% of our revenue for FYE 2011, FYE 2012, FYE 2013 and FPE 2014 respectively.

## (ii) By companies

	FYE 31 December		FPE 30 September							
	Audited		Unaudited							
	2011	2012	2013	2014						
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
BISB	5,114	35.15	7,671	40.13	12,519	50.95	4,815	40.85	9,074	48.36
BRSB	7,102	48.81	7,302	38.20	7,464	30.38	4,779	40.54	5,255	28.00
BDSB	1,046	7.19	2,828	14.79	2,340	9.52	1,458	12.37	2,907	15.49
BASB	1,288	8.85	1,288	6.74	2,133	8.68	644	5.46	1,380	7.35
BJHSB	-	-	28	0.14	114	0.47	92	0.78	79	0.43
Alphacare	-	-	-	-	-	-	-	-	70	0.37
<b>Total revenue</b>	<b>14,550</b>	<b>100.00</b>	<b>19,117</b>	<b>100.00</b>	<b>24,570</b>	<b>100.00</b>	<b>11,788</b>	<b>100.00</b>	<b>18,765</b>	<b>100.00</b>

BISB, one (1) of the major contributors to our revenue throughout the financial years and period under review, is principally involved in the manufacturing and sales of finished health supplement products as an ODM, OEM and under our house brands. Our finished health supplement products under our house brands are also distributed by BDSB, and Alphacare which commenced operations in June 2014.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

BRSB, another major contributor, is principally involved in the manufacturing and sales of semi-finished formulated ingredients. Meanwhile, BJHSB is principally involved in the processing and sales of processed herbs. In addition, BASB is also involved in the sales of processed herbs.

**(iii) By geographical location**

	FYE 31 December		FPE 30 September							
	Audited		Unaudited							
	2011	2012	2013	2014						
RM'000	%	RM'000	%	RM'000	%					
Malaysia	10,289	70.71	10,803	56.51	16,194	65.91	6,686	56.72	8,897	47.41
Indonesia	4,041	27.77	6,313	33.02	7,243	29.48	4,037	34.25	7,625	40.63
Australia	-	-	1,891	9.89	955	3.89	955	8.10	2,100	11.19
Others *	220	1.52	110	0.58	178	0.72	110	0.93	143	0.77
<b>Total revenue</b>	<b>14,550</b>	<b>100.00</b>	<b>19,117</b>	<b>100.00</b>	<b>24,570</b>	<b>100.00</b>	<b>11,788</b>	<b>100.0</b>	<b>18,765</b>	<b>100.0</b>

Note:

\* Include Cambodia and Hong Kong.

The majority of our revenue is derived from the Malaysian and Indonesian markets, which collectively contributed more than 85% of our revenue for FYE 2011, FYE 2012, FYE 2013 and FPE 2014.

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**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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*Comparison between FYE 2010 and FYE 2011*

Our revenue increased by 118.34% or RM7.89 million from RM6.66 million in FYE 2010 to RM14.55 million in FYE 2011 mainly due to an increase in revenue from our formulated ingredients, house brand and processed herbs businesses.

The increase in revenue from our formulated ingredients business of RM3.11 million or 78.13% from RM3.99 million in FYE 2010 to RM7.10 million in FYE 2011 was mainly due to the following:

- Increase in orders of our existing formulated ingredients by five (5) of our existing customers amounting to RM2.71 million; and
- Commercialisation and sales of new *C. sinensis*-based formulations to an existing customer amounting to RM1.05 million.

The increase in revenue from our house brand business by RM3.25 million from RM0.40 million in FYE 2010 to RM3.65 million in FYE 2011 was mainly due to us securing a new major customer in Indonesia, PT Bioalpha Makmur, who contributed sales of our house brand products amounting to RM1.74 million in FYE 2011.

In addition, we also commenced processing of herbs purchased from third party suppliers in 2011, which generated revenue of RM1.29 million for our processed herbs business.

*Comparison between FYE 2011 and FYE 2012*

Our revenue increased by 31.39% or RM4.57 million from RM14.55 million in FYE 2011 to RM19.12 million in FYE 2012 mainly due to an increase in revenue from our ODM and house brand businesses.

The increase in revenue from our ODM business of RM2.73 million or 112.40% from RM2.43 million in FYE 2011 to RM5.16 million in FYE 2012 was mainly due to the following:

- Increase in orders of our existing health supplement products by three (3) of our existing ODM customers amounting to RM1.08 million; and
- Commercialisation and sales of a new tongkat ali-based formulation to a new ODM customer amounting to RM0.50 million.

The increase in revenue from our house brand business by 43.84% or RM1.60 million from RM3.65 million in FYE 2011 to RM5.25 million in FYE 2012 was mainly due to the following:

- Increase in sales to our network of third party retail pharmacies by RM1.20 million, which was mainly contributed by an increase in the number of pharmacies from 300 for FYE 2011 to 311 for FYE 2012 as well as the launch of three (3) new house brand products in 2012, namely Nushine Nanollagen, Nushine Anti Ageing and Alphanex Cordy Wolfberry; and
- Penetration of the Australian market in 2012 with sales of our new house brand product, Nushine Nanollagen, which contributed revenue of RM0.75 million during the year.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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*Comparison between FYE 2012 and FYE 2013*

Our revenue increased by 28.52% or RM5.45 million from RM19.12 million in FYE 2012 to RM24.57 million in FYE 2013 mainly due to an increase in revenue from our ODM, house brand and processed herbs businesses.

The increase in revenue from our ODM business by RM3.18 million or 61.66% from RM5.16 million in FYE 2012 to RM8.34 million in FYE 2013 was mainly due to an increase in orders by two (2) of our existing ODM customers amounting to RM2.6 million, which was mainly driven by the introduction of five (5) new health supplement products towards the end of 2012 and during 2013.

The increase in revenue from our house brand business by RM1.18 million or 22.48% from RM5.25 million in FYE 2012 to RM6.43 million in FYE 2013 was mainly due to us securing a new major customer in Indonesia, PT Alpha Sehat Indonesia, who contributed sales of our house brand products amounting to RM2.60 million in FYE 2013. This additional sales from PT Alpha Sehat Indonesia was partially offset by a decline in our sales to third party retail pharmacies from RM1.18 million in FYE 2012 to RM0.63 million in FYE 2013, following our strategy to expand sales of our house brand products through our retail outlet business.

Following this new strategy, which is pursuant to the Memorandum of Understanding entered into with MyAngkasa on 8 October 2013 in relation to a proposed partnership to establish a chain of retail outlets as detailed in Section 6.17(iv) of this Prospectus, we are selling our house brand products through "Lifesprings" as well as to those more active third party retail pharmacies, which resulted in a reduction in the number of pharmacies from more than 300 for FYE 2013 to more than 100 for FPE 2014

In 2013, we harvested and processed roselle and misai kucing from our herb farm on Desaru Land, which contributed to an increase in revenue from our processed herbs business by RM0.93 million or 70.45% from RM1.32 million in FYE 2012 to RM2.25 million in FYE 2013.

*Comparison between FPE 2013 and FPE 2014*

Our revenue increased by 59.19% or RM6.98 million from RM11.79 million in FPE 2013 to RM18.76 million in FPE 2014 mainly due to an increase in revenue from our ODM and house brand businesses.

The increase in revenue from our ODM business by RM2.39 million or 76.89% from RM3.11 million in FPE 2013 to RM5.50 million in FPE 2014 was mainly due to the following:

- increase in orders of our existing health supplement products for general health maintenance and general well-being for women by two (2) of our existing customers amounting to RM1.35 million; and
- commercialisation and sales of two (2) new herbs-based and medicinal mushroom-based formulations to an existing customer amounting to RM0.92 million.

The increase in revenue from our house brand business by RM3.33 million from RM3.08 million in FPE 2013 to RM6.41 million in FPE 2014 was mainly due to an increase in orders of our existing health supplement products by two (2) of our existing Indonesian customers amounting to RM3.40 million.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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**Cost of Sales**

The primary components of our cost of sales by activities are as follows:

**ODM/House brand/Others**

- Raw materials comprising amongst others, medicinal mushrooms, fish collagen, silk peptide, fructose and psyllium husk. We ferment our own medicinal mushrooms, namely *C.sinesis* and *L. rhinoceros*, while all other raw materials are mainly sourced through local suppliers.
- Depreciation of plant and machineries used in our production lines at our Semenyih and Bangi plants as well as in our fermentation facility and laboratory.
- Amortisation of development expenditure relating to product formulation and manufacturing process as well as fermentation technology.
- Manufacturing overheads, including production personnel costs, utility expenses, factory rental, and repair and maintenance of machinery and equipment.

**Formulated ingredients**

- Raw materials comprising amongst others, medicinal mushrooms and fish collagen.
- Depreciation of plant and machinery used in our production line at our Bangi plant as well as in our fermentation facility and laboratory.
- Amortisation of development expenditure relating to product formulation and fermentation technology.
- Manufacturing overheads, including production personnel costs, utility expenses, factory rental, and repair and maintenance of machinery and equipment.

**Processed herbs**

- Raw materials comprising amongst others, plant seedling, fertiliser and packing materials.
- Depreciation of plant and machinery used in the processing of herbs at our Semenyih plant.
- Manufacturing overheads, including farm and production personnel costs, utility expenses, factory rental, and repair and maintenance of machinery and equipment.

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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The following tables set out a breakdown of our cost of sales by activities, companies and geographical location for FYE 2011, FYE 2012, FYE 2013 and FYE 2014:

## (i) By activities

	FYE 31 December		FYE 30 September							
	Audited		Unaudited							
	2011	2012	2013	2014						
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
ODM	2,193	30.48	3,432	43.21	4,376	39.95	1,461	28.14	3,499	36.29
Formulated ingredients	2,232	31.02	2,177	27.41	3,957	33.41	2,360	45.45	3,355	34.80
House brand	1,444	20.07	1,573	19.81	2,138	18.05	1,103	21.25	1,983	20.57
Processed herbs	1,260	17.50	687	8.65	1,293	10.92	215	4.14	681	7.06
Others	67	0.93	73	0.92	78	0.67	53	1.02	124	1.28
<b>Total cost of sales</b>	<b>7,196</b>	<b>100.00</b>	<b>7,942</b>	<b>100.00</b>	<b>11,842</b>	<b>100.00</b>	<b>5,192</b>	<b>100.00</b>	<b>9,642</b>	<b>100.00</b>

The majority of our cost of sales incurred, that is more than 80% of our cost of sales for FYE 2011, FYE 2012, FYE 2013, and FYE 2014 are in relation to our principal activities of manufacturing and sales of finished and semi-finished health supplement products as an ODM and under our house brands.

## (ii) By companies

	FYE 31 December		FYE 30 September							
	Audited		Unaudited							
	2011	2012	2013	2014						
	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
BISB	2,867	39.84	2,958	37.25	4,786	40.42	1,970	37.94	4,429	45.93
BRBS	2,232	31.02	2,177	27.41	3,957	33.41	2,360	45.45	3,355	34.80
BDSB	837	11.63	2,121	26.71	1,805	15.24	648	12.48	1,103	11.44
BASB	1,230	17.09	664	8.36	1,232	10.40	207	3.00	492	5.10
BJHSB	30	0.42	22	0.27	62	0.53	7	0.14	189	1.96
Alphacare	-	-	-	-	-	-	-	-	74	0.77
<b>Total cost of sales</b>	<b>7,196</b>	<b>100.00</b>	<b>7,942</b>	<b>100.00</b>	<b>11,842</b>	<b>100.00</b>	<b>5,192</b>	<b>100.00</b>	<b>9,642</b>	<b>100.00</b>



## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### *Comparison between FPE 2013 and FPE 2014*

Our cost of sales increased by RM4.45 million from RM5.19 million in FPE 2013 to RM9.64 million in FPE 2014 mainly due to higher depreciation and amortisation charges and manufacturing overheads incurred following the completion of our Bangi plant and enhancement of our fermentation facility in the second half of 2013, as well as higher raw materials costs for three (3) new formulated mycelium powder introduced in the second half of 2013 arising from the use of new active ingredients in these formulations. The increase in our cost of sales was also in tandem with the increase in revenue from our ODM and house brand businesses.

### **GP and GP Margin**

The following tables set out a breakdown of our GP and GP margin by activities, companies and geographical location for FYE 2011, FYE 2012, FYE 2013 and FYE 2014:

#### (i) By activities

	FYE 2011		FYE 2012		FYE 2013		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	Unaudited RM'000	%	Audited RM'000	%
ODM	235	3.20	1,725	15.44	3,961	31.12	1,650	25.02	2,004	21.97
Formulated ingredients	4,870	66.22	5,125	45.86	3,507	27.55	2,420	36.69	1,900	20.83
House brand	2,203	29.96	3,673	32.87	4,288	33.69	1,977	29.97	4,430	48.56
Processed herbs	28	0.38	629	5.63	954	7.50	521	7.90	778	8.53
Others	18	0.24	23	0.20	18	0.14	28	0.42	11	0.11
<b>Total GP</b>	<b>7,354</b>	<b>100.00</b>	<b>11,175</b>	<b>100.00</b>	<b>12,728</b>	<b>100.00</b>	<b>6,596</b>	<b>100.00</b>	<b>9,123</b>	<b>100.00</b>



## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	FYE 31 December		FPE 30 September		
	Audited	Unaudited	Audited	Unaudited	
2011	2012	2013	2013	2014	
%	%	%	%	%	
ODM	9.68	33.45	47.51	53.04	36.42
Formulated ingredients	68.57	70.19	46.99	50.63	36.16
House brand	60.41	70.02	66.73	64.19	69.08
Processed herbs	2.17	47.80	42.46	70.79	53.32
Others	21.18	23.96	18.75	34.57	8.15
<b>Group GP margin</b>	<b>50.54</b>	<b>58.46</b>	<b>51.80</b>	<b>55.96</b>	<b>48.62</b>

## (ii) By companies

	FYE 31 December		FPE 30 September		
	Audited	Unaudited	Audited	Unaudited	
2011	2012	2013	2013	2014	
RM'000	RM'000	RM'000	RM'000	RM'000	
%	%	%	%	%	
BISB	2,019	5,261	7,728	2,845	43.13
BRSB	4,939	4,845	3,811	2,419	36.67
BDSB	368	707	534	810	12.28
BASB	58	356	602	437	6.62
BJHSB	(30)	6	53	85	1.30
Alphacare	-	-	-	-	(4)
<b>Total GP</b>	<b>7,354</b>	<b>11,175</b>	<b>12,728</b>	<b>6,596</b>	<b>100.00</b>
					<b>9,123</b>
					<b>100.00</b>

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	FYE 31 December		FPE 30 September	
	Audited	%	Audited	%
	2012	2013	2013	2014
BISB	68.58	61.73	59.09	51.19
BRBS	66.35	51.06	50.62	26.16
BDSB	25.00	22.82	55.56	62.06
BASB	27.64	28.22	67.86	64.35
BJHSB	21.43	46.49	92.39	(139.24)
Alphacare	-	-	-	(5.71)
<b>Group GP margin</b>	<b>58.46</b>	<b>51.80</b>	<b>55.96</b>	<b>48.16</b>

## (iii) By geographical location

	FYE 31 December		FPE 30 September	
	Audited	%	Unaudited	Audited
	2012	2013	2013	2014
Malaysia	6,220	8,079	3,481	3,632
Indonesia	3,825	4,017	2,537	3,903
Australia	1,039	511	504	1,469
Others *	91	121	74	119
<b>Total GP</b>	<b>11,175</b>	<b>12,728</b>	<b>6,596</b>	<b>9,123</b>
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	FYE 31 December		FYE 30 September	
	Audited	%	Unaudited	Audited
	2012	2012	2013	2014
		%	%	%
Malaysia	57.58	49.89	52.06	40.82
Indonesia	60.59	55.46	62.84	51.19
Australia	54.94	53.51	52.77	69.95
Others *	82.27	67.98	67.27	83.22
<b>Group GP margin</b>	<b>58.46</b>	<b>51.80</b>	<b>55.96</b>	<b>48.62</b>

Note:

\* Include Cambodia and Hong Kong.

Comparison between FYE 2010 and FYE 2011

Our GP increased by RM3.23 million or 78.28% from RM4.12 million in FYE 2010 to RM7.35 million in FYE 2011 mainly due to the increase in revenue from our formulated ingredients and house brand businesses as explained above.

However, our overall GP margin decreased from 61.90% in FYE 2010 to 50.54% in FYE 2011 mainly due to the following:

- Higher depreciation charges by RM0.27 million following the upgrade of our GMP infrastructure and production facilities at our Semenyih plant as well as commencement of operations of our liquid fermentation facility in 2011; and
- Commencement of trading of processed herbs in 2011, which generated a lower GP margin of 2.17% as compared to the GP margin achieved for our manufacturing activities of 9.68% to 68.57% for FYE 2011. We had commenced trading of processed herbs purchased from external suppliers, whilst waiting for the harvest of herbal plants cultivated on our herb farm on Desaru Land.

The lower GP margin achieved by our ODM business of 9.68% for FYE 2011 as compared to 25.18% for FYE 2010 was mainly due to lower economies of scale, whereby the additional depreciation charges following the upgrade of our facilities have not been off-set by higher revenue from our ODM business during the year.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

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### Comparison between FYE 2011 and FYE 2012

Our GP increased by RM3.83 million or 52.00% from RM7.35 million in FYE 2011 to RM11.18 million in FYE 2012 mainly due to the increase in revenue from our ODM and house brand businesses as explained above.

In addition, our overall GP margin increased from 50.54% in FYE 2011 to 58.46% in FYE 2012 mainly due to the following:

- Higher economies of scale for our manufacturing activity which resulted in a reduction in total fixed costs per unit by 31.04% from RM5.88 per unit in FYE 2011 to RM4.06 per unit in FYE 2012;
- Lower cost of medicinal mushrooms upon commencement of operations of our liquid fermentation facility in the fourth quarter of 2011;
- Commercialisation and sales of a new tongkat ali-based formulation with a higher GP margin; and
- Lower cost of herbs for our processed herbs business following our harvest of herbs such as turmeric and ginger from our herb farm on Desaru Land and subsequent processing of these herbs at our Semenyih plant in FYE 2011.

### Comparison between FYE 2012 and FYE 2013

Our GP increased by RM1.56 million or 13.90% from RM11.17 million in FYE 2012 to RM12.73 million in FYE 2013 mainly due to the increase in revenue from our ODM business as explained above.

However, our formulated ingredients business recorded a lower GP of RM3.51 million in FYE 2013 as compared to RM5.12 million in FYE 2012 mainly due to the following:

- Higher depreciation and amortisation charges and manufacturing overheads incurred following the completion of our Bangi plant and enhancement of our fermentation facility in 2013; and
- Higher raw materials costs for three (3) new formulated mycelium powder introduced during the year arising from the use of new active ingredients in these formulations.

Pursuant to the higher depreciation and amortisation charges and manufacturing overheads, and higher raw materials costs as explained above, we experienced a decline in GP margin for our formulated ingredients business from 70.19% in FYE 2012 to 46.99% in FYE 2013. The higher depreciation and amortisation charges and manufacturing overheads also resulted in a decline in GP margin for our house brands business from 70.02% in FYE 2012 to 66.73% in FYE 2013.

However, our ODM business generated a higher GP margin of 47.51% in FYE 2013 as compared to 33.45% in FYE 2012 mainly due to the significant increase in revenue by RM3.18 million, which more than offset the increase in depreciation and amortisation charges and manufacturing overheads by RM0.94 million.

We also experienced a decline in GP margin for our processed herbs business from 47.80% in FYE 2012 to 42.46% in FYE 2013 mainly due to higher depreciation charges incurred following the purchase of an extraction equipment for our fermentation facility in end 2012.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### Comparison between FPE 2013 and FPE 2014

Our GP increased by RM2.52 million or 38.31% from RM6.60 million in FPE 2013 to RM9.12 million in FPE 2014 mainly due to the increase in revenue from our ODM and house brand businesses.

However, our overall GP margin declined from 55.96% in FPE 2013 to 48.62% in FPE 2014 mainly due to the following:

- higher depreciation and amortisation charges and manufacturing overheads of RM1.15 million following the completion of our Bangi plant and enhancement of our fermentation facility in the second half of 2013; and
- higher raw materials cost for three (3) new formulated mycelium powder introduced in the second half of 2013 arising from the use of new active ingredients in these formulations.

### Other Income

Our other income for FYE 2011, FYE 2012, FYE 2013 and FPE 2014 comprises the following:

	FYE 31 December		FPE 30 September							
	Audited		Unaudited							
	2011	2012	2013	2014						
	RM'000	RM'000	RM'000	RM'000						
	%	%	%	%						
Government grants *	16	1,531	791	60.57	27	26.72	3,941	91.63		
Interest income	14	40.00	-	68	5.21	10	10.20	218	5.07	
Gain on disposal of property, plant and equipment	-	-	-	43	3.29	-	-	-	-	
Gain from foreign exchange	-	-	-	160	12.25	-	-	-	-	
Others	5	14.29	63	3.95	244	18.68	63	63.08	142	3.30
<b>Total other income</b>	<b>35</b>	<b>100.00</b>	<b>1,594</b>	<b>100.00</b>	<b>1,306</b>	<b>100.00</b>	<b>100</b>	<b>100.00</b>	<b>4,301</b>	<b>100.00</b>

Note:

- \* Government grants mainly comprise funds received under the CRDF, BCF and NKEA Agreement to reimburse expenditure incurred for the purposes set out under these grants. Please refer to Section 6.5 of this Prospectus for further details of these grants.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

FYE 2011

Our other income for FYE 2011 mainly comprise of interest income and grants received from MATRADE for reimbursement of expenses in relation to participations at trade exhibitions.

Comparison between FYE 2011 and FYE 2012

Our other income increased by RM1.55 million from RM0.04 million in FYE 2011 to RM1.59 million in FYE 2012 mainly due to grants received under the NKEA Agreement amounting to RM1.28 million for the purpose of pre-clinical studies on two (2) of our herbal supplement products for diabetes and as hormone therapy replacement, of which the corresponding research costs were recorded in administration expenses.

Comparison between FYE 2012 and FYE 2013

Our other income decreased by RM0.29 million from RM1.59 million in FYE 2012 to RM1.31 million in FYE 2013 mainly due to less grants received under the NKEA Agreement, which amounted to RM0.45 million in FYE 2013 as compared to RM1.28 million in FYE 2012, as a result of lower research costs incurred during the year.

Comparison between FPE 2013 and FPE 2014

Our other income increased by RM4.20 million from RM0.10 million in FPE 2013 to RM4.30 million in FPE 2014 mainly due to grants received under the NKEA Agreement amounting to RM3.84 million.

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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### Administration Expenses

The breakdown of administration expenses is as follows:

	FYE 31 December			FPE 30 September						
	Audited			Unaudited						
	<----- 2011 ----->	<----- 2012 ----->	<----- 2013 ----->	<----- 2013 ----->	<----- 2014 ----->	Audited				
RM'000	%	RM'000	%	RM'000	%	RM'000	%			
Staff costs	334	19.88	893	17.84	1,402	22.82	779	24.40	1,565	17.04
Directors' remuneration	275	16.37	637	12.72	863	14.05	497	15.57	847	9.22
Research costs	-	-	1,282	25.60	823	13.40	12	0.38	3,842	41.83
Advertising and promotions	91	5.42	339	6.77	509	8.28	264	8.27	649	7.07
Depreciation	207	12.32	440	8.79	464	7.55	348	10.90	437	4.76
Professional fees	97	5.77	339	6.77	1,152	18.75	1,031	32.29	97	1.06
Rental of premises	119	7.08	213	4.25	209	3.40	138	4.32	182	1.98
Website development expenses	-	-	300	5.99	-	-	-	-	32	0.35
Others	557	33.16	564	11.27	722	11.75	124	3.87	1,533	16.69
<b>Total administration expenses</b>	<b>1,680</b>	<b>100.00</b>	<b>5,007</b>	<b>100.00</b>	<b>6,144</b>	<b>100.00</b>	<b>3,193</b>	<b>100.00</b>	<b>9,184</b>	<b>100.00</b>

Administration expenses represented 11.55%, 26.19%, 25.01% and 48.94% of our revenue for FYE 2011, FYE 2012, FYE 2013 and FPE 2014 respectively.

The major components of our administration expenses during the financial years and period under review were staff costs and directors' remuneration as well as research costs incurred pursuant to the NKEA Agreement.

### FYE 2011

Our administration expenses for FYE 2011 mainly comprise staff costs, directors' remuneration, depreciation of property, plant and equipment and rental costs.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### Comparison between FYE 2011 and FYE 2012

Our administration expenses increased by RM3.33 million from RM1.68 million in FYE 2011 to RM5.01 million in FYE 2012 mainly due to research costs of RM1.28 million incurred for the purpose of pre-clinical studies on two (2) of our herbal supplement products for diabetes and as hormone therapy replacement, which has been reimbursed via the grants received under the NKEA Agreement.

Our staff costs also increased by RM0.56 million mainly due to four (4) additional staffs recruited for our sales and marketing division during the year as part of our strategy to increase sales of our house brand products. In addition, we also incurred website development expenses of RM0.30 million during the year to develop an internet portal to promote sales of our house brand products.

### Comparison between FYE 2012 and FYE 2013

Our administration expenses increased by RM1.14 million or 22.71% in FYE 2013 mainly due to an increase in professional fees of RM0.81 million in relation to our fund raising exercises, which includes our listing exercise and PNS' subscription in our Company, and business expansion plan as well as technical advisory fee for the enhancement of our fermentation facility.

### Comparison between FPE 2013 and FPE 2014

Our administrative expenses increased by RM5.93 million or 81.98% in FPE 2014 mainly due to an increase in our research costs of RM3.84 million pursuant to the NKEA Agreement.

### Finance Costs

	<----- FYE 31 December ----->		<----- FPE 30 September ----->	
	Audited		Unaudited	
	<----- 2011 ----->	<----- 2012 ----->	<----- 2013 ----->	<----- 2014 ----->
	RM'000	%	RM'000	%
Finance leases interest	18	58.06	55	27.50
Term loans interest	13	41.94	62	31.00
Bank overdraft interest	-	-	68	34.00
Bankers' acceptances interest	-	-	15	7.50
<b>Total finance costs</b>	<b>31</b>	<b>100.00</b>	<b>200</b>	<b>100.00</b>
			<b>185</b>	<b>100.00</b>
				<b>153</b>
				<b>100.00</b>
				<b>18.30</b>
				<b>100</b>
				<b>65.36</b>
				<b>25</b>
				<b>16.34</b>
				<b>-</b>
				<b>12.97</b>
				<b>24</b>
				<b>10.27</b>
				<b>28</b>
				<b>18.30</b>



**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

FYE 2011

Our finance costs comprise interest charges in respect of hire purchase facilities for our motor vehicles and a term loan amounting to RM0.96 million, which was drawn in 2011 to finance the acquisition of our Bangi plant.

Comparison between FYE 2011 and FYE 2012

Our finance costs increased by RM0.17 million from RM0.03 million in FYE 2011 to RM0.20 million in FYE 2012 mainly due to a further drawdown of the term loan amounting to RM1.77 million in August 2012 to finance the re-construction of our Bangi plant as well as an increase in bank overdrafts utilised for working capital purposes.

Comparison between FYE 2012 and FYE 2013

Our finance costs increased by RM 0.15 million from RM0.20 million in FYE 2012 to RM0.35 million in FYE 2013 mainly due to a full year interest charges for the term loan drawn in August 2012 to finance the re-construction of our Bangi plant.

Comparison between FPE 2013 and FPE 2014

Our finance costs decreased by RM0.03 million from RM0.18 million in FPE 2013 to RM0.15 million in FPE 2014 mainly due to lesser utilisation of bankers' acceptance facilities for purchases of materials in 2014.

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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

**PBT**

The table below sets out a breakdown of our PBT by companies for FYE 2011, FYE 2012, FYE 2013 and FYE 2014:

	FYE 31 December			FPE 30 September		
	Audited		Unaudited	Audited		Audited
	2011	2012	2013	2013	2014	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	%	%	%	%	%	%
BHB	(62)	(124)	35	(117)	77	1.89
BISB	718	2,642	3,917	338	3,362	82.26
BRBS	4,921	4,905	3,342	1,978	1,773	43.38
BDSB	178	109	77	65	6	0.15
BASB	42	152	228	624	(32)	(0.79)
BJHSB	(114)	(121)	(25)	(29)	(178)	(4.35)
Alphacare	(5)	(2)	(34)	(2)	(820)	(20.09)
BECA	-	-	-	-	(100)	(2.45)
<b>Total PBT</b>	<b>5,678</b>	<b>7,561</b>	<b>7,540</b>	<b>2,857</b>	<b>4,087</b>	<b>100.00</b>

BHB is principally an investment holding company, while Alphacare and BECA only commenced operations in November 2013 and February 2014 respectively.

Comparison between FYE 2010 and FYE 2011

Our PBT increased by RM2.93 million or 106.55% from RM2.75 million in FYE 2010 to RM5.68 million in FYE 2011 mainly as a result of the increase in revenue from our formulated ingredients, house brand and processed herbs businesses due to amongst others, commercialisation and sales of new *C. sinensis*-based formulations and the secure of a new major customer in Indonesia as explained above.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

Comparison between FYE 2011 and FYE 2012

Our PBT increased by RM1.88 million or 33.16% from RM5.68 million in FYE 2011 to RM7.56 million in FYE 2012 mainly as a result of the increase in revenue from our ODM and house brand businesses as explained above.

BRSB generated a slightly higher PBT of RM4.90 million in FYE 2012 as compared to a GP of RM4.84 million due to the receipt of a grant of RM0.23 million from MBC, for which the corresponding amortisation of development expenditures was recognised in cost of sales. The MBC grant is in relation to the development expenditures incurred for the set-up and commercialisation of our liquid fermentation facility, whereby the grant is to be received over the period of amortisation of the development expenditures.

Comparison between FYE 2012 and FYE 2013

Our PBT decreased marginally by RM0.02 million or 0.28% from RM7.56 million in FYE 2012 to RM7.54 million in FYE 2013 mainly due to the following:

- Decrease in our overall GP margin mainly as a result of higher depreciation and amortisation charges and manufacturing overheads, and higher raw materials costs as explained above; and
- Higher administration expenses of RM1.14 million during the year following an increase in professional fees of RM0.81 million as explained above.

Comparison between FPE 2013 and FPE 2014

Our PBT increased by RM1.23 million or 43.05% from RM2.86 million in FPE 2013 to RM4.09 million in FPE 2014 mainly as a result of an increase in revenue from our ODM and house brand businesses as explained above.

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**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)****Taxation**

The following table sets out our taxation and effective tax rates for FYE 2011, FYE 2012, FYE 2013 and FYE 2014:

	FYE 31 December		FPE 30 September	
	Audited		Unaudited	
	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000
Taxation	247	409	1,201	82
Effective tax rate	4.35%	5.41%	15.93%	2.87%
				8.66%
<b>Statutory rate</b>				
Chargeable income	-	25%	25%	25%
First RM500,000 chargeable income	20%	-	-	-
>RM500,000 chargeable income	25%	-	-	-

Save for BRBSB who was awarded a BioNexus Status by MBC, which allows the company to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years from 30 June 2008 to 30 June 2018, our other subsidiaries are taxed at a statutory rate of 20% on the first RM500,000 chargeable income and 25% on the balance chargeable income in FYE 2011. Subsequent to FYE 2011, these subsidiaries are taxed at a statutory rate of 25% on all their chargeable income.

**Comparison between FYE 2010 and FYE 2011**

The increase in our taxation by RM0.11 million or 77.70% in FYE 2011 was in tandem with the increase in revenue from our house brand and processed herbs businesses. The low effective tax rate of 4.35% for FYE 2011 was mainly due to the tax exemption accorded to BRBSB, which contributed to 86.67% of our PBT for FYE 2011, as well as the availability of reinvestment tax allowances.

**Comparison between FYE 2011 and FYE 2012**

The increase in our taxation by RM0.16 million or 65.59% in FYE 2012 was in tandem with the increase in revenue from our ODM and house brand businesses. The higher effective tax rate of 5.41% for FYE 2012 as compared to 4.35% for FYE 2011 was mainly due to the lower PBT contribution by BRBSB of 64.87% for FYE 2012 as compared to 86.67% for FYE 2011, as well as the change in statutory tax rate during the year as mentioned above.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### Comparison between FYE 2012 and FYE 2013

The increase in our taxation by RM0.79 million in FYE 2013 was mainly due to a lower amount of reinvestment tax allowances as well as a lower PBT contribution by BRBS of 44.32% for FYE 2013 as compared to 64.87% for FYE 2012. Such lower PBT contribution by BRBS was mainly attributable to higher depreciation and amortisation charges and manufacturing overheads incurred following the completion of our Bangi plant and enhancement of our fermentation facility in 2013 as well as higher raw materials costs for three (3) new formulated mycelium powder introduced during the year arising from the use of new active ingredients in these formulations. Accordingly, this resulted in an increase in our effective tax rates to 15.93% for FYE 2013.

### Comparison between FPE 2013 and FPE 2014

The increase in our taxation by RM0.30 million in FPE 2014 was mainly due to higher PBT contribution of 82.24% for FPE 2014 as compared to 11.84% for FPE 2013 by BHSB, which is subject to tax at the statutory rate of 25%. Accordingly, the PBT contribution by BRBS, which is exempted from income tax, declined from 69.23% in FPE 2013 to 43.38% in FPE 2014.

### Net Profit

The table below sets out a breakdown of our net profit by companies for FYE 2011, FYE 2012, FYE 2013, FYE 2014 and FPE 2014:

	FYE 31 December		FPE 30 September	
	Audited		Unaudited	
	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000
BHB	(62)	(124)	35	45
BISB	554	2,293	2,762	3,045
BRBS	4920	4,905	3,346	1,773
BDSB	131	83	52	1
BASB	7	118	202	(32)
BHBSB	(114)	(121)	(25)	(178)
Alphacare	(5)	(2)	(34)	(820)
BECA	-	-	-	(100)
<b>Total net profit</b>	<b>5,431</b>	<b>7,152</b>	<b>6,338</b>	<b>3,734</b>
	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

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### Comparison between FYE 2010 and FYE 2011

Our net profit increased by RM2.82 million or 108.08% from RM2.61 million in FYE 2010 to RM5.43 million in FYE 2011 mainly as a result of the increase in revenue from our formulated ingredients, house brand and processed herbs businesses as explained above.

### Comparison between FYE 2011 and FYE 2012

Our net profit increased by RM1.72 million or 31.69% from RM5.43 million in FYE 2011 to RM7.15 million in FYE 2012 mainly as a result of the increase in revenue from our ODM and house brand businesses as explained above.

### Comparison between FYE 2012 and FYE 2013

Our net profit decreased by RM0.81 million or 11.38% from RM7.15 million in FYE 2012 to RM6.34 million in FYE 2013 mainly as a result of our higher taxation expenses as explained above.

### Comparison between FPE 2013 and FPE 2014

Our net profit increased by RM0.95 million or 34.51% from RM2.78 million in FPE 2013 to RM3.73 million in FPE 2014 mainly as a result of an increase in revenue from our ODM and house brand businesses as explained above.

## 12.2 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial position and results of operations have been, and will continue to be affected by a number of factors, including those set out below:

### (i) Demand conditions for health supplement products

Our growth is largely driven by amongst others, the following demand factors which were extracted from the IMR Report by SZ:

- More affluent population that has greater spending power for more expensive and quality purchases, including health supplement products;
- Increasing rates of chronic diseases and infections as well as rapid urbanisation and an ageing society leading to rising health awareness and market acceptance of health supplements; and
- Government's initiatives to promote the development of the local health supplements industry.

Please refer to Section 7 of this Prospectus for further details of the demand conditions for our products.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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**(ii) Competitiveness**

Whilst the health supplements manufacturing industry is moderately fragmented, we are able to compete effectively due to our competitive strengths, which include the following:

- Our manufacturing facilities are GMP-compliant and we are able to produce Halal certified products;
- We have a wide range of products across the supply chain;
- We have a secured and consistent supply of medicinal mushroom i.e. *C. sinensis* as well as other herbs through our proprietary liquid fermentation facility and herb farms; and
- We have the experience and technical know-how to develop product formulations to suit market needs.

Please refer to Section 6.12 of this Prospectus for further details of our competitive strengths.

**(iii) Demand seasonality**

The demands for our products are seasonal, which typically peaks in the fourth quarter of the calendar year in conjunction with year end and festive promotional activities by our customers.

**(iv) Tax incentives**

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 from 30 June 2008 to 30 June 2018. This has largely contributed to our relatively low effective tax rates of 4.35% to 15.93% for FYE 2011 to FYE 2013 and 8.66% for FPE 2014.

**(v) Impact from foreign currency exchange rates**

Our sales and purchases are mainly denominated in RM. However, some of our overseas customers settle in US dollar, of which the US dollar funds received are normally maintained in foreign currency accounts for payment of our US dollar purchases. As such, our exposure to foreign exchange risks is minimal. Therefore, we do not require any hedging policy nor have we entered into any forward foreign currency exchange contract.

**(vi) Impact from interest rates**

Our gearing stood at 0.07 times as at 30 September 2014. All our borrowings as at 30 September 2014 are interest bearing obligations. Thus, any interest rate hike will affect our finance costs. However, our results for the past three (3) FYE 2011 to 2013 and FPE 2014 were not adversely affected by interest rate fluctuations as our gearing is relatively low.

As part of our cash flow management, we will monitor and plan our capital expenditure and financing options accordingly and weigh our options for each funding requirement at that point in time. In addition, we will use part of our IPO proceeds to reduce our borrowings as explained in Section 3.5 of this Prospectus.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

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### (vii) Impact from commodity prices and/or inflation

There is no material impact from commodity prices and/or inflation on our financial performance for the past three (3) FYE 2011 to 2013 and FPE 2014. Notwithstanding that, we can generally pass on the effect of higher production costs due to inflation to our customers. However, there is no assurance that our business will not be adversely affected by the impact from commodity prices and/or inflation in the future.

### (viii) Regulatory, political, economic and social condition relating to the health supplements industry

Risks relating to political, economic and regulatory policies, which are beyond our control, may materially affect our business and financial performance are set out in Section 4.1.7 of this Prospectus.

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.

## 12.3 LIQUIDITY AND CAPITAL RESOURCES

### 12.3.1 Working Capital

For the financial years and period under review, we financed the growth of our business and operations mainly through cash generated from our operations, shareholders' equity and bank borrowings.

Based on our consolidated statement of financial position as at 30 September 2014, our current assets and current liabilities stood at RM36.89 million and RM6.29 million respectively, which translated to a current ratio of 5.86 times.

As at 30 September 2014, we have cash and bank balances and fixed deposits with licensed banks totalling RM8.46 million and total borrowings of RM3.64 million, which translated to a gearing ratio of 0.07 times.

Our Board is of the opinion that after taking into account our current cashflow position, the banking facilities available and the proceeds to be raised from our IPO, as well as our capacity to obtain further financing given our low gearing ratio, we will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.



## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

### 12.3.2 Cash Flows

The table below sets out a summary of our consolidated statement of cash flows for FPE 2014:

	<b>RM'000</b>
Net cash from operating activities	1,328
Net cash used in investing activities	(7,819)
Net cash from financing activities	4,199
Net decrease in cash and cash equivalents	(2,292)
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	7,923

#### **Net cash from operating activities**

We generated a net cash inflow from our operating activities of RM1.33 million mainly due to the following:

- Receipts from our customers totalling RM16.47 million;
- Cash paid to suppliers and employees, including R&D expenditure of RM3.94 million, totalling RM15.05 million;
- Income tax paid of RM0.15 million; and
- Net interest income of RM0.06 million.

#### **Net cash used in investing activities**

During FPE 2014, we incurred a net cash outflow in our investing activities of RM7.82 million mainly due to the following:

- Acquisition of property, plant and equipment amounting to RM2.97 million;
- Deposit paid for the acquisition of property, plant and equipment such as fermentation and extraction facilities for *L. rhinocerus* amounting to RM2.12 million; and
- R&D expenditure incurred amounting to RM2.73 million, including expenditure incurred for pre-clinical studies for two (2) of our herbal supplement products.

#### **Net cash from financing activities**

We received a net cash inflow from our financing activities of RM3.62 million primarily due to government grants received pursuant to the NKEA Agreement of RM3.84 million.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### 12.3.3 Borrowings

As at 30 September 2014, our borrowings amounted to RM3.64 million, comprising finance leases for motor vehicles and plant and machinery, bank overdraft, bankers' acceptances and term loans, all of which are interest bearing and secured. Our borrowings can be analysed as follows:

	RM'000
<b>Short-term borrowings</b>	
Finance leases	262
Bank overdraft	291
Bankers' acceptances	200
Term loans	217
	970
<b>Long-term borrowings</b>	
Finance leases	364
Term loans	2,306
	2,670
<b>Total borrowings</b>	<b>3,640</b>
Gearing ratio (times)	0.07
Gearing ratio after our IPO and utilisation of proceeds (times)	0.01

The details of the types of financial instruments that we use and their balances as at the LPD are as follows:

Type of Financial Instrument	Tenure	Interest Rate	Balance as at the LPD
			RM'000
Term loans	23/10/2009 – 22/10/2029	5.4% to 5.9%	2,448
Finance leases	1/3/2010 – 14/1/2018	3.21% to 3.75%	557
Bankers' acceptances	30 days to 90 days	1.5% to 3.0%	854
Bank overdraft	-	7.35% to 8.35%	1,675
<b>Total</b>			<b>5,534</b>

As at the LPD, we do not have any foreign currency borrowings. We have not defaulted in any payments of principal sums and/or interests in respect of our borrowings for the past three (3) FYE 2011 to 2013, FPE 2014 and up to the LPD.

### 12.3.4 Breach of Terms and Conditions/Covenants Associated with Credit Arrangement/Bank Loan

As at the LPD, we are not in breach of any terms and conditions or covenants associated with any credit arrangements or bank loans, which can materially affect our financial position and results or business operations, or the investments by holders of securities in our Company.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### 12.3.5 Treasury Policies and Objectives

We have been financing our operations through cash generated from our operations, shareholders' equity and bank borrowings. The normal credit terms granted by our trade suppliers is disclosed in Section 12.4 of this Prospectus.

The decision to either utilise banking facilities or internally generated funds for our operations depends on, amongst others, our cash reserves, expected cash inflows or receipts from our customers, future working capital requirements, future capital expenditure requirements and interest rates of our banking facilities.

The interest rates for our finance leases and banking facilities are based on the prevailing market rates as of the dates of the respective facilities. We currently do not have any interest rate hedging policy. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedge policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. However, no assurance can be given that any future significant movement in interest rates will not have a material impact on our business, operating results and financial position.

Our sales and purchases are mainly denominated in RM. However, some of our overseas customers settle in US dollar, of which the US dollar funds received are normally maintained in foreign currency accounts for payment of our US dollar purchases. As such, our exposure to foreign exchange risks is minimal. Therefore, we do not require any hedging policy nor have we entered into any forward foreign currency exchange contract.

### 12.3.6 Material Capital Expenditures and Divestitures

Save as disclosed below, we have not incurred any other material capital expenditures and divestitures for FYE 2011, FYE 2012, FYE 2013 and FPE 2014 and up to the LPD:

	<----- FYE 31 December ----->			FPE 30	Up to the
	2011	2012	2013	September	LPD
	RM'000	RM'000	RM'000	2014	RM'000
				RM'000	
Leasehold land and factory building	(1) 1,141	-	-	280	-
Laboratory and office equipments	16	123	250	404	40
Motor vehicles	49	-	442	-	-
Plant and machineries	(2) 3,029	(3) 4,922	(4) 2,267	(5) 1,156	(6) 5,871
Renovations	165	1,559	350	511	297
Signage and display items	609	-	2	170	-
Infrastructure expenditures	-	1,222	-	4	152
Capital work-in-progress	945	715	986	440	-
<b>Total material capital expenditures</b>	<b>5,992</b>	<b>8,580</b>	<b>4,318</b>	<b>2,965</b>	<b>6,360</b>

Notes:

- (1) Expenditure incurred pursuant to the acquisition of our Bangi plant.
- (2) Expenditure incurred pursuant to the setting up of our liquid fermentation facility in Semenyih plant.
- (3) Expenditure incurred pursuant to the purchase of an extraction equipment for our fermentation facility.
- (4) Expenditure incurred pursuant to the acquisition of additional production lines for Bangi plant
- (5) Expenditure incurred pursuant to the upgrade of our production lines at Bangi plant.
- (6) Expenditure incurred pursuant to the acquisition of fermentation and extraction facilities for *L.rhinocerus* as well as a fully-automated liquid bottling production line for Bangi plant.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

We expect our future capital expenditure in the coming years to be mainly related to the upgrading of our laboratory facilities with the objective of attaining SMM accreditation and setting up a primary processing plant on Pasir Raja Land as well as development costs for fermentation process and the appropriate active ingredient extraction method for four (4) new medicinal mushrooms strains, namely *Grifola frondosa*, *Lentinula edodes*, *Cordyceps militaris* and *Ganoderma lucidum*. These capital expenditures will be financed via our IPO proceeds and internally generated funds, the details of which are set out in Section 6.17 of this Prospectus.

There are no material divestitures currently in progress within or outside Malaysia. For material capital commitments, please refer below.

### 12.3.7 Material Capital Commitments

Save for a capital commitment amounting to RM4.50 million pursuant to our joint venture arrangement with J-Biotech Herbal Sdn Bhd in BJHSB as detailed in Section 6.16.2 of this Prospectus, there is no material capital commitment incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on our financial position as at the LPD.

The above commitment will be financed via our internally generated funds and/or bank borrowings.

### 12.3.8 Material Litigation/Arbitration and Contingent Liabilities

#### (i) Material litigation/arbitration

Save as disclosed in Section 15.5 of this Prospectus, neither we nor our subsidiaries are engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on our financial position or business as at the LPD.

#### (ii) Contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities, which upon becoming enforceable may have a material impact on our financial performance and position.

## 12.4 KEY FINANCIAL RATIOS

### Trade Receivables

The following table sets out our trade receivables for FYE 2011, FYE 2012, FYE 2013, and FPE 2014:

	<----- FYE 31 December ----->			FPE 30
	2011	2012	2013	September 2014
	RM'000	RM'000	RM'000	RM'000
Trade receivables	10,575	12,782	12,971	15,120
Revenue	14,550	19,117	24,570	18,765
% of trade receivables to revenue (%)	72.68	66.86	52.79	80.58
Trade receivables turnover period (days) (1)	184	223	191	193

Note:

(1) Calculated based on:  $\frac{\text{Average trade receivables} \times 365 \text{ days}}{\text{Total revenue}}$

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The normal credit period granted to third party retail pharmacies ranges from 180 to 270 days, while the normal credit period granted to our other customers ranges from 30 to 180 days. The longer credit period granted to third party retail pharmacies were at the request of these pharmacies as our house brand products were new in the market. When granting such credit terms, we will assess each customer on a case to case basis after taking into consideration, *inter alia*, the background, creditworthiness, financial strength and the extent of our experience with the customer.

A further breakdown of our trade receivables turnover period by type of customers for FYE 2011, FYE 2012, FYE 2013 and FPE 2014 is as follows:

	<----- FYE 31 December ----->			FPE 30
	2011	2012	2013	September
	Days	Days	Days	2014
Third party retail pharmacies	170	149	509	764
Other customers	184	228	183	186

The higher trade receivables turnover period for third party retail pharmacies of 170 days for FYE 2011 as compared to 149 days for FYE 2012 was mainly due to commencement of sales to third party retail pharmacies at the end of 2011, whereby the trade receivables amount as at 31 December 2011 of RM0.05 million constituted approximately 93% of sales to pharmacies during the year.

The high trade receivables turnover period for third party retail pharmacies of 509 days and 764 days for FYE 2013 and FPE 2014 respectively was mainly due to lesser number of pharmacy sales staff to monitor collections from more than 100 third party retail pharmacies, whereby the pharmacy sales team experienced a turnover from five (5) staff in January 2013 to one (1) staff in July 2013. However, we have not engaged additional staff to monitor collections from these third party retail pharmacies.

Notwithstanding the high trade receivables turnover period for third party retail pharmacies, the amount outstanding from these customers has decreased from RM0.85 million as at 31 December 2013 to RM0.37 million as at 30 September 2014, after making an impairment of RM0.14 million in relation to those customers whom we no longer have business dealings with and/or were in financial difficulties.

The lower trade receivables turnover period for our other customers of 184 days for FYE 2011 as compared to 228 days in FYE 2012 was mainly due to a lower trade receivables amount as at 31 December 2010 of RM4.09 million as compared to RM10.52 million as at 31 December 2011.

The trade receivables turnover period for our other customers of 228 days for FYE 2012 was mainly due to the following:

- (i) demand for our products peaking in the fourth quarter of the calendar year in conjunction with year end and festive promotional activities by our other customers, whereby the amount outstanding from sales to these customers during the fourth quarter amounted to RM7.36 million, that is approximately 41.06% of the total sales for the year of RM17.93 million; and
- (ii) slower payment by four (4) of our other customers, whereby the amount exceeding credit period as at 31 December 2012 amounted to RM1.82 million. However, these amounts were fully settled subsequent to 31 December 2012.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The lower trade receivables turnover period for our other customers of 183 days and 186 days for FYE 2013 and FPE 2014 respectively was mainly due to closer monitoring of collections by our ODM sales staff.

The ageing analysis of our trade receivables as at 30 September 2014 is as follows:

	----- Within credit period ----->				Exceeding credit period >180 days RM'000	Total RM'000
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000		
	Trade receivables	2,401	2,751	3,117		
<i>% of total trade receivables</i>	<i>15.88</i>	<i>18.19</i>	<i>20.62</i>	<i>43.07</i>	<i>2.24</i>	<i>100.00</i>
Subsequent collection as at the LPD	(185)	(1,250)	(2,764)	(5,632)	(65)	(9,896)
Outstanding balance as at the LPD	2,216	1,501	353	880	274	5,224
<i>% of total trade receivables</i>	<i>14.66</i>	<i>9.93</i>	<i>2.33</i>	<i>5.82</i>	<i>1.81</i>	<i>34.55</i>

Our trade receivables as at 30 September 2014 were RM15.12 million. Of this, RM9.90 million or 65.45% has been collected as at the LPD. For those amounts which exceeded the 180 days credit period, we have collected RM0.06 million as at the LPD. We are in the process of collecting the remaining amount of RM0.27 million from our customers, which mainly comprise third party retail pharmacies.

As part of our credit control policy, we have taken steps to ascertain that proper action has been taken in relation to assessing the collectability of our trade receivables, and making provision for impairment for trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful.

Notwithstanding the above, our Board is of the opinion that the remaining amount of RM0.27 million are recoverable after taking into consideration these customers' payment track record as well as our experience with them.

### Trade Payables

The following table sets out our trade payables for FYE 2011, FYE 2012, FYE 2013 and FPE 2014:

	----- FYE 31 December ----->			FPE 30 September 2014 RM'000
	2011 RM'000	2012 RM'000	2013 RM'000	
	Trade payables	1,317	1,934	
Cost of sales <sup>(1)</sup>	6,654	6,835	9,776	7,550
% of trade payables to cost of sales (%)	18.30	24.35	10.53	7.52
Trade payables turnover period (days) <sup>(2)</sup>	47	87	59	70

Notes:

(1) Cost of sales exclude depreciation and amortisation.

(2) Calculated based on:  $\frac{\text{Average trade payables} \times 365 \text{ days}}{\text{Total cost of sales}}$

The normal credit period granted by our suppliers ranges from 30 days to 90 days. During the financial years and period under review, our trade payables turnover period was within the credit period granted by our suppliers.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The higher trade payables turnover period of 87 days in FYE 2012 was mainly due to a longer credit period, that is from 60 days to 90 days, granted by one (1) of our major suppliers arising from an increase in purchase volume following the increase in our sales. The decrease in trade payables turnover period to 59 days in FYE 2013 was mainly due to purchase of new raw materials from new suppliers with a shorter credit term. The higher trade payables turnover period of 70 days in FPE 2014 was mainly due to a longer credit period, that is from 60 days to 90 days, granted by an existing supplier at our request as a normal commercial practice, in view of the increase in our purchase volume and the length of relationship with our Group as well as similar credit term granted to some of the supplier's other customers.

The ageing analysis of our trade payables as at 30 September 2014 is as follows:

	<----- Within credit period ----->			Exceeding	Total
	0-30 days	31-60	61-90	credit period	
	days	days	days	>90	
	RM'000	RM'000	RM'000	days	RM'000
Trade payables	411	86	23	48	568
% of total trade payables	72.36	15.14	4.05	8.45	100.00
Subsequent payment as at the LPD	(411)	(75)	(17)	(38)	(541)
Outstanding balance as at the LPD	-	11	6	10	27
% of total trade payables	-	1.94	1.06	1.76	4.75

Our trade payables as at 30 September 2014 were RM0.57 million. Of this, RM0.54 million or 95.25% has been settled as at the LPD. The remaining balance of RM0.03 million mainly relates to an unfulfilled order which has been billed. This outstanding amount will be settled upon fulfilment of the order.

### Inventories

The following table sets out our inventories for FYE 2011, FYE 2012, FYE 2013 and FPE 2014:

	<----- FYE 31 December ----->			FPE 30
	2011	2012	2013	September 2014
	RM'000	RM'000	RM'000	RM'000
<b>At cost:</b>				
Raw materials	433	1,039	2,276	3,046
Consumables	-	87	135	106
Finished goods	19	167	516	343
	452	1,293	2,927	3,495
<b>At net realisable value:</b>				
Raw materials	-	17	-	-
	452	1,310	2,927	3,495
Cost of sales <sup>(1)</sup>	6,654	6,835	9,776	7,550
Inventory turnover period (days) <sup>(2)</sup>	19	47	79	140

Notes:

(1) Cost of sales excludes depreciation and amortisation

(2) Calculated based on:  $\frac{\text{Average inventories}}{\text{Total cost of sales}} \times 365 \text{ days}$

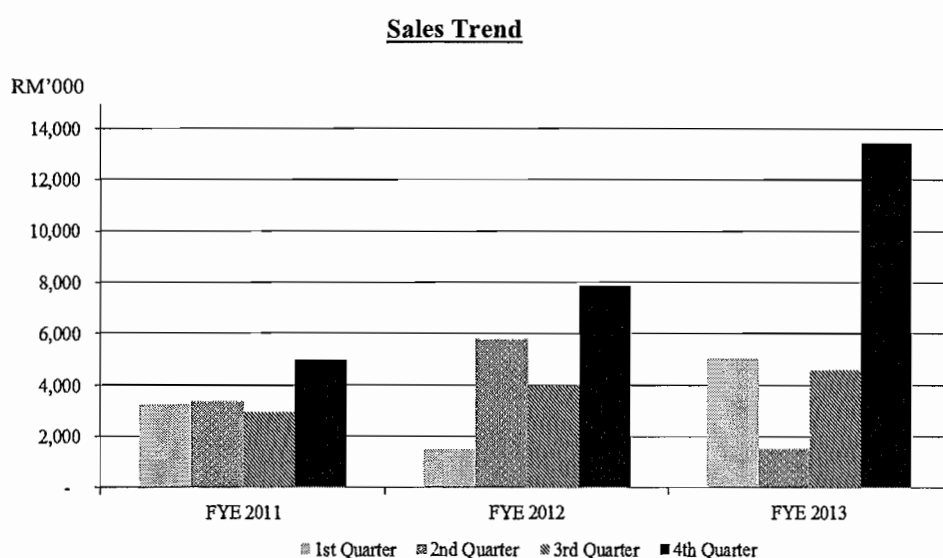
**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

The average shelf lives for our finished products are two (2) years, whereas the average shelf lives for our raw materials are more than three (3) years. The increasing inventory turnover period for the financial years under review was mainly due to additional raw materials purchased to meet the increase in our sales. In addition, we purchased new raw materials totalling RM0.93 million at the end of 2013 for two (2) new ODM products launched in 2014. The high turnover period for FPE 2014 was mainly due to higher raw material purchases in the third quarter to meet peak demand in the fourth quarter of the calendar year in conjunction with year end and festive promotional activities by our customers.

**12.5 TREND INFORMATION**

**12.5.1 Sales Trend**

The following chart sets out our quarterly revenue for FYE 2011 to FYE 2013:



Based on the chart, it can be observed that the 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.

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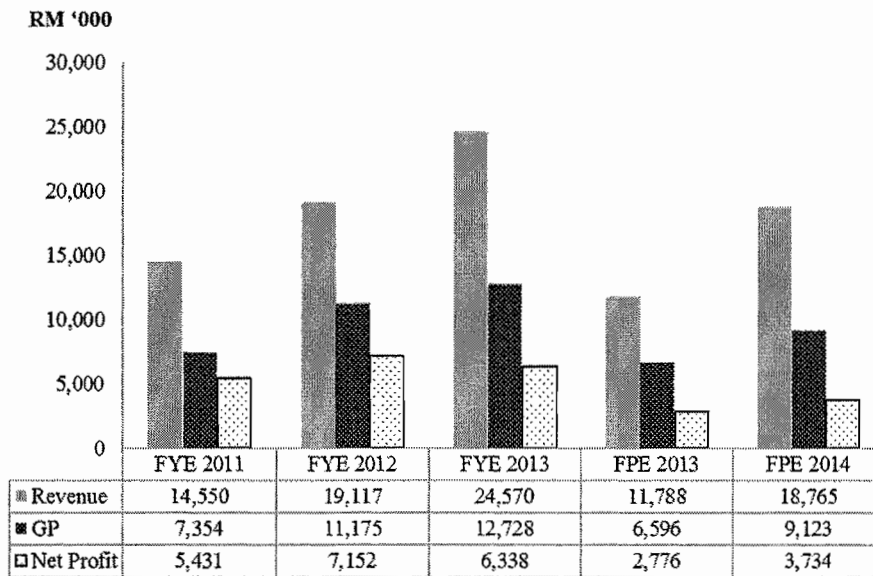


## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### 12.5.2 Business and Financial Prospects

Based on our financial information for the past three (3) FYE 2011 to FYE 2013 and FPE 2013 and FPE 2014, the following trends were observed:

#### Historical Financial Performance



During the financial years under review, our revenue registered growth at a CAGR of approximately 30%, primarily attributable to the following:

- (i) Our ability to increase our product offering through amongst others, our capabilities in formulating new products and subsequent commercialisation of these new formulations;
- (ii) Our ability to secure new customers for our house brand and ODM products both in Malaysia and overseas. During the financial years under review, we penetrated the Australian market in FYE 2012 and have been recording steady growth in our Indonesian market with a revenue of RM4.04 million in FYE 2011 to RM7.24 million in FYE 2013. In addition, we also recorded sales growth at a CAGR of 25.46% for our Malaysian market during the same period; and
- (iii) Our ability to secure a consistent of supply of medicinal mushroom i.e. *C. sinensis* as well as other herbs through our proprietary liquid fermentation facility and herb farms, which also enabled us to obtain these raw materials at a lower cost as compared to purchase of these raw materials from third party suppliers at a higher price.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)

The increase in our revenue is also consistent with the rising demand for health supplement products. Our Board is optimistic that our growth momentum is sustainable in the next few financial years based on the following factors which were extracted from the IMR Report by SZ:

- (i) The health supplements manufacturing industry in Malaysia is forecasted to grow from an estimated RM717.14 million in 2014 to RM914.59 million in 2018, representing a CAGR of 6.27%;
- (ii) The prospects of the health supplements manufacturing industry is expected to be driven by the following factors:
  - (a) Increasing disposable income where purchases are increasingly shifting away from staple food products to more expensive and quality purchases, including products with health benefits such as herbal and non-herbal supplement products as well as functional foods;
  - (b) Growing chronic lifestyle diseases and infections, and obesity concerns which could heighten Malaysia's awareness in preventive healthcare and thus, increasing demand for health supplement products;
  - (c) Rapid urbanisation and ageing society driving the increasing health awareness and market acceptance of health supplements;
  - (d) Health-oriented campaigns and events which promote health awareness leading to an increase in health supplements consumption; and
  - (e) Government's incentives in promoting and encouraging herbal cultivation and farming as well as health supplements manufacturing; and
- (iii) The health supplements manufacturing industry in Malaysia is still in its growth stage, and thus has potential for growth to cater for the increasing local and international demand. Over the last five (5) years, the health supplements market in Malaysia has demonstrated strong positive growth, from RM2.6 billion in 2009 to RM3.15 billion in 2013, representing a CAGR of 7.79%. Meanwhile, the global health supplements market also grew from USD154.70 billion in 2008 to USD207.80 billion in 2012, registering a CAGR of 7.66% during the period.

During the financial years and period under review, we recorded GP margins of more than 40% and net profit margins of more than 20%. The lower net profit margin of 26% and 22% in FYE 2013 and FPE 2014 respectively was mainly a result of amongst others the following:

- higher depreciation and amortisation charges and manufacturing overheads incurred following the completion of our Bangi plant and enhancement of our fermentation facility in the second half of 2013; and
- higher taxation expenses due to a lower PBT contribution by BRSB of 44.32% and 43.37% for FYE 2013 and FPE 2014 respectively as compared to 64.87% for FYE 2012.

Going forward, our Board expects improvements in our GP margin to be possible with greater economies of scale, additional harvest of herbs from our herb farms on Desaru Land and Pasir Raja Land and fermentation of new medicinal mushrooms.

## **12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (*Cont'd*)**

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### **12.5.3 Order Book**

As at the LPD, we have outstanding purchase orders in hand amounting to RM10.26 million, which is expected to be fulfilled by end 2015.

Our outstanding purchase orders in hand are however subject to termination, cancellation or deferment by our customers. Accordingly, our outstanding purchase orders in hand at any particular date may not be indicative of our revenue for any succeeding period.

### **12.5.4 Directors' Declaration on our Financial Performance**

As at the LPD, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have a material impact on our financial performance, position and operations other than those discussed in this section and Sections 4, 6 and 7 of this Prospectus;
- (ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed in this section and Section 4 of this Prospectus;
- (iii) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our revenue and/or profits, save for those that have been disclosed in this section and Sections 4, 6 and 7 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material impact on our liquidity and capital resources other than those discussed in this section and Sections 4, 6 and 7 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of our future financial performance and position other than those discussed in this section and Section 4 of this Prospectus.

Our Board is optimistic about our future prospects and the outlook of the health supplements industry as set out in Section 7 of this Prospectus, after taking into consideration our competitive strengths as set out in Section 6.12 of this Prospectus, the factors and trends affecting our financial condition and results as set out in Sections 12.5.1 and 12.5.2 of this Prospectus and our future plans and strategies as set out in Section 6.17 of this Prospectus.

### **12.6 DIVIDEND POLICY**

Our Company adopted a dividend policy in 2014, whereby we intend to pay out approximately 30% of our future net profits as dividends to our shareholders in each financial year. We have declared an interim tax exempt dividend of RM0.0013 per Share in October 2014. Any final dividend to be declared will be determined by our Board and is subject to our shareholders' approval.

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.

**12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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Our ability to pay future dividends to our shareholders is subject to various factors including but are not limited to, our financial performance, cash flow requirements, availability of distributable reserves, and capital expenditure plans.

As our Company is an investment holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions that we receive from our subsidiary companies. The payment of dividends or other distributions by our subsidiaries will depend on their operational results, financial condition, capital expenditure plans and other factors that their respective board of directors deems relevant.

**12.7 FUTURE FINANCIAL INFORMATION**

There is no future financial information for FYE 31 December 2014 which has been prepared for inclusion in this Prospectus.

Our Board confirms that there are no material adverse information or known facts about our liquidity, capital resources and future results of operations which would reasonably have any material adverse effect on our financial condition and results which would make the historical information herein irrelevant to investors' evaluation.

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13. ACCOUNTANTS' REPORT

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16 MAR 2015

The Board of Directors  
Bioalpha Holdings Berhad  
Suite 10.03, Level 10  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

**UHY** (AF1411)  
**Chartered Accountants**  
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Email uhykl@uhy.com.my  
Web www.uhy.com.my

Dear Sirs,

**BIOALPHA HOLDINGS BERHAD (“BHB” or “the Company”)  
ACCOUNTANTS' REPORT**

**1. INTRODUCTION**

This report has been prepared by UHY, Malaysia, an international accounting firm of chartered accountants registered in Malaysia and an approved company auditor, for inclusion in the Prospectus of BHB in relation to the listing of and quotation for its enlarged issued and paid-up share capital of RM23,170,656 comprising 463,413,114 ordinary shares of RM0.05 each in BHB (“Shares”) on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”). Details of the listing scheme are disclosed in Section 2 of this report.

**2. DETAILS OF THE LISTING SCHEME**

In conjunction with and as an integral part of the Listing, BHB intend to undertake the Listing Scheme, which involves the following:

**2.1 Public Issue**

Pursuant to the Public Issue, the Company shall issue 100,000,000 new Shares (“IPO Shares”) at an issue price of RM0.20 per Share to be allocated in the manner explained below, which is subject to clawback and reallocation.

**2.1.1 Public (“Public Tranche”)**

20,000,000 IPO Shares, representing approximately 4.32% of the enlarged issued and paid-up share capital of BHB, 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.

13. ACCOUNTANTS' REPORT (Cont'd)

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2. DETAILS OF THE LISTING SCHEME (CONT'D)

2.1 Public Issue (Cont'd)

2.1.3 Selected Investors via Placement ("Placement Tranche")

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

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

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

2.2 Listing

Subsequent to the completion of the Public Issue, BHB shall undertake the Listing involving the listing of and quotation for its enlarged issued and paid-up share capital of BHB of RM23,170,656 comprising 463,413,114 Shares on the ACE Market of Bursa Securities.

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13. ACCOUNTANTS' REPORT (Cont'd)



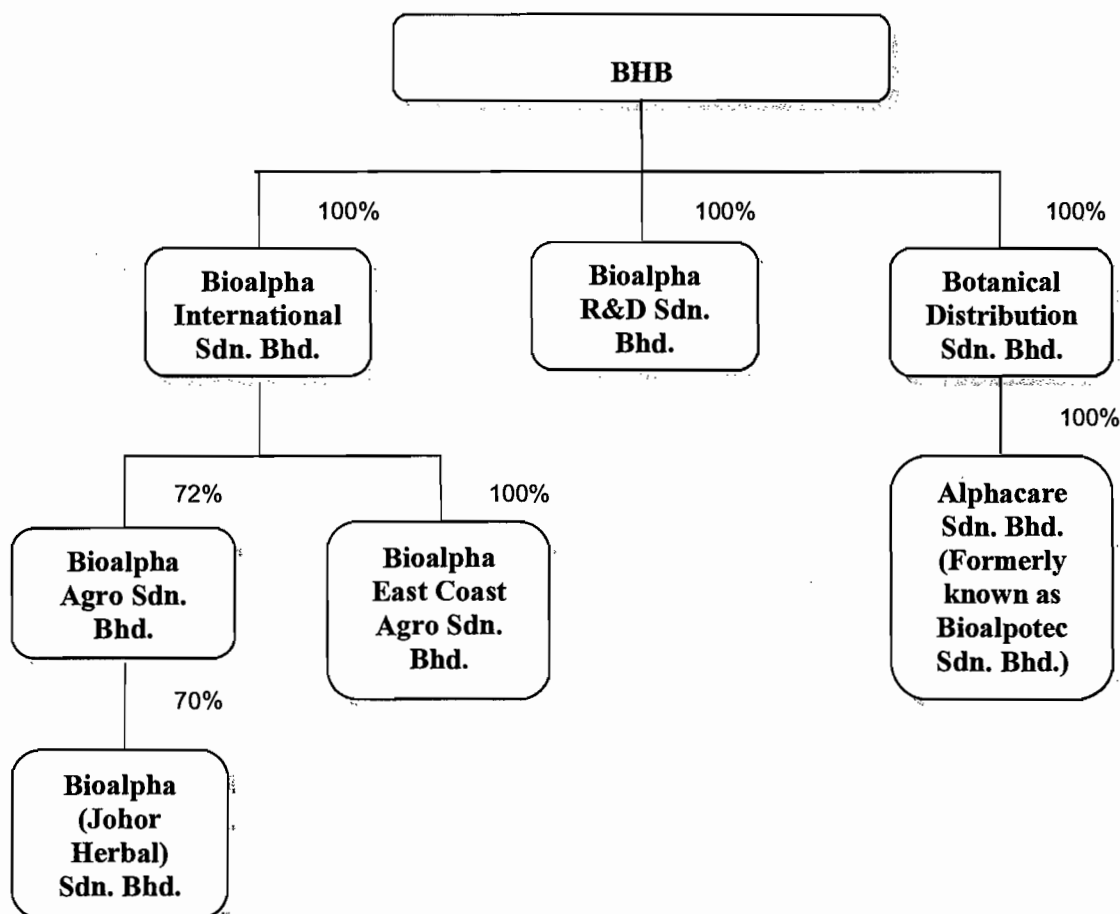
3. GENERAL INFORMATION

3.1 Background

BHB was incorporated and domiciled in Malaysia under the Companies Act, 1965 on 21 June 2011 as a public limited company. The principal activity of BHB is that of investment holding. Details of the principal activities of the subsidiaries of the Company are set out in Section 3.3 herein.

3.2 Group Structure

The structure of the BHB and its subsidiaries ("BHB Group" or "Group") at the date of this report is as follows:



## 13. ACCOUNTANTS' REPORT (Cont'd)



## 3. GENERAL INFORMATION (CONT'D)

## 3.3 Subsidiaries of BHB

As at the date of this report, the subsidiaries of BHB are as follows:

Company	Date of Incorporation	Authorised Share Capital RM	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principal Activities
Bioalpha International Sdn. Bhd. ("BISB")	17 November 2005	1,000,000	520,384	100	Investment holding, manufacturing and sales of health supplement products
Bioalpha R&D Sdn. Bhd. ("BRSB")	15 May 2008	500,000	400,000	100	Research and development and manufacturing of health supplement products
Botanical Distribution Sdn. Bhd. ("BDSB")	17 July 2008	100,000	2	100	Marketing and distribution of health supplement products
<b>Subsidiary of BISB</b>					
Bioalpha Agro Sdn. Bhd. ("BASB")	23 June 2010	100,000	10,000	72	Investment holding and sales of herbs related products
Bioalpha East Coast Agro Sdn. Bhd. ("BECA")	22 January 2014	5,000,000	2	100	Development and management of herb farms and sales of herbs related products



## 13. ACCOUNTANTS' REPORT (Cont'd)



## 3. GENERAL INFORMATION (CONT'D)

## 3.3 Subsidiaries of BHB (Cont'd)

Company	Date of Incorporation	Authorised Share Capital RM	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principal Activities
<b>Subsidiary of BASB</b>					
Bioalpha (Johor Herbal) Sdn. Bhd. ("BJHSB")	28 October 2010	1,000,000	20,000	50.4	Development of herb farms and sales of herbs related products
<b>Subsidiary of BDSB</b>					
Alphacare Sdn. Bhd. (Formerly known as Bioapotec Sdn. Bhd.)	5 October 2011	5,000,000	1,400,000	100	Trading and management of pharmacy outlets

## 3.4 Share Capital

The movements in the issued and paid-up share capital of BHB since its incorporation are as follows:

Date of Allotment	Consideration	No. of Shares Allotted	Par Value RM	<---- Cumulative Total - -->	
				No. of Ordinary Shares	Issued and Paid-up Share Capital RM
21.6.2011	Cash; Subscribers' shares	20	1.00	20	20
29.6.2011	Capitalisation against sufficient credit balances in favour of the respective shareholders current account with BHB	254,382,600	0.05	254,383,000	12,719,150
12.9.2013	Cash	3,643,037	0.05	258,026,037	12,901,302
25.9.2013	Cash	105,387,077	0.05	363,413,114	18,170,656

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 3. GENERAL INFORMATION (CONT'D)

## 3.5 Dividend

A first interim single tier tax exempt dividend of 13% on 363,413,114 Shares, amounting to a total dividend of RM475,000 in respect of financial year ended 31 December 2014 was paid on 1 November 2014.

## 4. RELEVANT FINANCIAL YEARS/PERIOD AND AUDITORS

The relevant financial years/period of the audited consolidated financial statements presented for the purpose of this report ("Relevant Financial Years/Period") and the auditors of the Company for the Relevant Financial Years/Period are set out below:

Relevant Financial Years/Period	Auditor	Auditor's Report
Financial Year Ended ("FYE") 31 December 2011 ("FYE 2011")	UHY, Malaysia	Appendix I
FYE 31 December 2012 ("FYE 2012")	UHY, Malaysia	Appendix II
FYE 31 December 2013 ("FYE 2013")	UHY, Malaysia	Appendix III
Financial Period Ended ("FPE") 30 September 2014 ("FPE 2014")	UHY, Malaysia	Appendix IV

The audited financial statements of BHB for the Relevant Financial Years/Period were reported upon without any audit qualification.

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

## 5.1 Basis of Preparation

## (a) Statement of compliance

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

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

During the financial period, the Group has adopted the following Issues Committee ("IC") Interpretations and amendments to MFRS issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the current financial period:

Amendment to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.1 Basis of Preparation (Cont'd)

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

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

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

		<u>Effective date for financial periods beginning on or after</u>
Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle		1 July 2014
MFRS 14	Regulating Deferral Account	1 January 2016
Amendments to MFRS 11	Accounting for Acquisition of Interest in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture : Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (IMFRS 9 issued by IASB in July 2014)	1 January 2018

The Group intends to adopt the above MFRSs when they become effective.

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Basis of Preparation (*Cont'd*)(a) Statement of compliance (*Cont'd*)MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 (2009)) introduced new requirements for the classification and measurement of financial assets. It was subsequently amended by MFRS 9 (IFRS 9 (2010)) to include requirements for the classification and measurement of financial liabilities and for derecognition, and MFRS 9 (IFRS 9 as amended by IASB in November 2013) to include new requirements for general hedge accounting. Another version of MFRS 9 (IFRS 9 issued by IASB in July 2014) was issued to include:

- (a) impairment requirements for financial assets; and
- (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- (a) all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading in other comprehensive income, with only dividend income generally recognised in profit or loss.
- (b) with regard to the classification and measurement of financial liabilities and derecognition of financial instruments, these requirements have been relocated from MFRS 139, without change, except for financial liabilities that are designated as at fair value through profit or loss. Entities with financial liabilities designated as at fair value through profit or loss recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income, unless it would create or enlarge an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity. Under MFRS 139, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Basis of Preparation (*Cont'd*)(a) Statement of compliance (*Cont'd*)MFRS 9 Financial Instruments (*Cont'd*)

Key requirements of MFRS 9 (*Cont'd*):

- (c) in relation to impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- (d) the new general hedge accounting represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

An entity is allowed to change the accounting for financial liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9.

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. It supersedes current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related Interpretations. Its core principle is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

A five-step approach to revenue recognition is required:

- (a) Identify the contract(s) with a customer.
- (b) Identify the performance obligations in the contract.
- (c) Determine the transaction price.
- (d) Allocate the transaction price to the performance obligations in the contract.
- (e) Recognise revenue when (or as) performance obligations are satisfied.

MFRS 15 also includes requirements for accounting for costs related to a contract with a customer. These are recognised as an asset if certain criteria are met. Furthermore, MFRS 15 also significantly expands the current disclosure requirements about revenue recognition. An entity may choose to adopt MFRS 15 retrospectively or through a cumulative effect adjustment as of the start of the first period for which it first applies the Standard. The Company is in the process of assessing the impact of this Standard.

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Basis of Preparation (*Cont'd*)(b) **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency.

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

The summary of accounting policies as described in Note 5.2 are essential to understand the Group's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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

Amortisation of research and development expenditures

The research and development expenditure of the Group are amortised on a straight-line basis over the life span of the asset. Management estimates the useful life of the assets to be 5 to 10 years. Changes in technological developments could impact the economic useful life and the residual value of this asset, therefore future amortisation charges could be revised.

Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 5 to 93 years and reviews the useful lives of depreciable assets at end of each reporting period. At the reporting date, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which will result in the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.1 Basis of Preparation (Cont'd)

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

Development costs

Initial capitalisation of development costs is based on management's judgement that technical and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits.

*If product already marketed*

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

*If product yet to be marketed*

This amount includes significant investment in the development of a formula development for herbs. Prior to being marketed, it will need to register the product with the relevant regulatory authorities.

Inventories write-down

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.1 Basis of Preparation (Cont'd)

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

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.



13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Basis of Preparation (*Cont'd*)(c) Significant accounting estimates and judgements (*Cont'd*)Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

## 5.2 Significant Accounting Policies

## (a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

## (i) Subsidiary companies

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

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss statement.

Acquisition of business are accounted for using the acquisition method other than those resulted in a business combination involving common control entities is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combination.

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

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

## (ii) Consolidation

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

The acquisition method of accounting is used to account for business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial period. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

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

## (ii) Consolidation (Cont'd)

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

## (iii) Goodwill on consolidation

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## (iv) Non-controlling interests

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary company's equity since the date of combination.

All earnings and losses of the subsidiary companies are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 5.2 Significant Accounting Policies (Cont'd)

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

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 5.2(i)(i).

##### (i) Recognition and measurement

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

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

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

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

##### (ii) Subsequent costs

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

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

## (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Leasehold land and factory building is depreciated over the shorter of the lease term and their useful lives.

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

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

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

## (c) Intangible assets

## (i) Internally-generated intangible assets - Research and Development Costs

Research costs are expensed as incurred.

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

The capitalised development expenditure is measured at cost less any accumulated amortisation and impairment losses. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (c) Intangible assets (Cont'd)

## (i) Internally-generated intangible assets - Research and Development Costs (Cont'd)

Amortisation of the capitalised development expenditure is recognised in profit or loss, begins when development is complete and the specific asset is available for use. It is amortised over the period of expected future benefit (ranging from 5 to 10 years), on a straight-line basis.

The residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or losses arising from derecognition of the capitalised development expenditure is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

## (ii) Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. The useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, are not amortised but tested for impairment annually. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (d) Financial assets

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

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

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

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

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

Regular way purchase or sale of financial assets

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

Derecognition of financial assets

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (e) Financial liabilities

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

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify their financial liabilities at initial recognition into the following category:

## (i) Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

## (ii) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially at fair value and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. Subsequently, the carrying amount is measured at the higher of the best estimate of the obligation under the contract in accordance with MFRS 137 at the reporting date and the initial amount recognised less accumulated amortisation. If the carrying amount of the financial guarantee contract is lower than the obligation, the carrying amount is adjusted to the obligation amount and accounted for as a provision.



13. ACCOUNTANTS' REPORT (*Cont'd*)

## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

(e) **Financial liabilities (Cont'd)***Derecognition of financial liabilities*

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Offsetting of financial instruments*

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

(f) **Inventories**

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

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

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

(g) **Cash and cash equivalents**

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

(h) **Share capital**

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

Dividends on ordinary shares are accounted for in equity as appropriation of retained profits and recognised as a liability in the period in which they are declared.

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (i) Impairment of assets

## (i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives, these are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

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

## (ii) Financial assets

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

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

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

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (j) Leases

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

For arrangements entered into prior to 1 January 2012, the date of inception is deemed to be 1 January 2012 in accordance with the MFRS 1.

## (i) Finance lease

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

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

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

## (ii) Operating lease

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

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (k) Provisions

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

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

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

## (l) Employee benefits

## (i) Short term employee benefits

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

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

## (ii) Defined contribution plans

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

## (i) Rendering of services

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

## (ii) Sales of goods

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

## (iii) Interest income

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

## (iv) Rental income

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

## (n) Borrowing costs

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

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

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 5.2 Significant Accounting Policies (Cont'd)

## (o) Income taxes

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

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

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

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

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

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

## (p) Government grants

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

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

**13. ACCOUNTANTS' REPORT (Cont'd)**

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**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.2 Significant Accounting Policies (Cont'd)****(p) Government grants (Cont'd)**

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

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

**(q) Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

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

**6. FINANCIAL INFORMATION AND LIMITATION**

BHB was incorporated in Malaysia as a public limited company under the Companies Act, 1965 on 21 June 2011.

The financial information of the BHB Group as presented in Note 7 for the past three (3) FYE 2011, 2012, 2013 and FPE 2014 are extracted from its audited financial statements, modified as appropriate, for the purpose of this report.

The scope of work conducted in the preparation of this report does not constitute an audit in accordance with the approved standards of auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this report, we have relied upon information and representations given to us by Directors, officers and employees of the Group and sought explanations for apparent discrepancies, if any.



13. ACCOUNTANTS' REPORT (*Cont'd*)

## 7. HISTORICAL FINANCIAL STATEMENTS

## 7.1 Consolidated Statements of Comprehensive Income

The following consolidated statements of comprehensive income are based on the audited financial statements of the BHB Group for the FYE 2011, 2012, 2013 and FPE 2014.

	Note	<----- FYE 31 December ----->			FPE 30
		2011 RM	2012 RM	2013 RM	September 2014 RM
Revenue	7.5.1	14,549,667	19,116,706	24,569,586	18,764,961
Cost of sales		(7,194,393)	(7,942,336)	(11,841,665)	(9,642,368)
Gross profit		<u>7,355,274</u>	<u>11,174,370</u>	<u>12,727,921</u>	<u>9,122,593</u>
Other income		34,965	1,593,940	1,306,121	4,301,570
Administration expenses		(1,680,692)	(5,007,195)	(6,144,065)	(9,183,533)
Finance costs	7.5.2	(31,318)	(200,077)	(350,298)	(153,202)
Profit before taxation	7.5.3	<u>5,678,229</u>	<u>7,561,038</u>	<u>7,539,679</u>	<u>4,087,428</u>
Taxation	7.5.4	(246,919)	(408,550)	(1,201,397)	(353,741)
Net profit for the financial year/period, representing total comprehensive income for the financial year/period		<u>5,431,310</u>	<u>7,152,488</u>	<u>6,338,282</u>	<u>3,733,687</u>
Net profit for the financial year/period attributable to:					
Owners of the parent		5,435,026	7,194,165	6,294,259	3,830,948
Non-controlling interests		(3,716)	(41,677)	44,023	(97,261)
		<u>5,431,310</u>	<u>7,152,488</u>	<u>6,338,282</u>	<u>3,733,687</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.2 Consolidated Statements of Financial Position

The following consolidated statements of financial position are based on the audited financial statements of the BHB Group as at 31 December 2011, 2012, 2013 and 30 September 2014.

	Note	< ----- As at 31 December ----- >			As at 30
		2011 RM	2012 RM	2013 RM	September 2014 RM
<b>Non-Current Assets</b>					
Property, plant and equipment	7.5.6	7,985,935	15,207,824	17,369,326	18,523,313
Development expenditures	7.5.7	906,243	1,216,109	5,527,436	7,539,604
		<u>8,892,178</u>	<u>16,423,933</u>	<u>22,896,762</u>	<u>26,062,917</u>
<b>Current Assets</b>					
Inventories	7.5.8	452,739	1,310,325	2,926,575	3,495,311
Trade receivables	7.5.9	10,574,523	12,782,369	12,970,767	15,120,475
Other receivables	7.5.10	3,654,970	2,776,340	10,098,990	9,778,060
Tax recoverable		4,331	27,056	-	38,741
Fixed deposits with banks licensed	7.5.11	406,200	706,188	9,089,417	2,408,859
Cash and bank balances		507,650	761,049	1,832,008	6,051,918
		<u>15,600,413</u>	<u>18,363,327</u>	<u>36,917,757</u>	<u>36,893,364</u>
<b>Total Assets</b>		<u>24,492,591</u>	<u>34,787,260</u>	<u>59,814,519</u>	<u>62,956,281</u>

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## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.2 Consolidated Statements of Financial Position (Cont'd)

	Note	< ----- As at 31 December ----- >			As at 30
		2011 RM	2012 RM	2013 RM	September 2014 RM
<b>Equity</b>					
Share capital	7.5.12	12,719,150	12,719,150	18,170,656	18,170,656
Share premium	7.5.13	-	-	11,556,808	11,556,808
Merger deficits	7.5.14	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)
Retained profits		10,203,906	17,398,071	23,692,330	27,523,278
<b>Equity attributable to owners of the parent</b>		17,953,926	25,148,091	48,450,664	52,281,612
Non-controlling interests	7.5.15	(916)	(36,623)	7,400	(89,861)
<b>Total Equity</b>		17,953,010	25,111,468	48,458,064	52,191,751
<b>Non-Current Liabilities</b>					
Finance lease payables	7.5.16	875,991	704,265	566,423	363,716
Bank borrowings	7.5.17	929,856	2,489,644	2,477,520	2,305,578
Deferred tax liabilities	7.5.18	250,816	433,744	1,553,100	1,806,500
		2,056,663	3,627,653	4,597,043	4,475,794
<b>Current Liabilities</b>					
Trade payables	7.5.19	1,316,906	1,934,228	1,246,635	869,752
Other payables	7.5.20	2,755,583	2,573,348	4,284,366	4,375,200
Amount owing to a Director	7.5.21	21,331	40,036	98,472	40,412
Finance lease payables	7.5.16	232,440	241,091	257,359	262,476
Bank borrowings	7.5.17	30,417	978,707	826,089	708,322
Tax payables		126,241	280,729	46,491	32,574
		4,482,918	6,048,139	6,759,412	6,288,736
<b>Total Liabilities</b>		6,539,581	9,675,792	11,356,455	10,764,530
<b>Total Equity and Liabilities</b>		24,492,591	34,787,260	59,814,519	62,956,281

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.3 Consolidated Statements of Changes in Equity

The following consolidated statements of changes in equity are based on the audited financial statements of the BHB Group for the FYE 2011, 2012, 2013 and FPE 2014.

	Attributable to Owners of the Parent					Total Equity RM
	Share Capital RM	Merger Deficits RM	Retained Profits RM	Non- Controlling Interests RM	Total RM	
At 1 January 2011	20	-	4,768,880	-	4,768,900	4,768,900
Net profit/(loss) for the financial year, representing total comprehensive income for the financial year	-	-	5,435,026	(3,716)	5,435,026	5,431,310
<b>Transactions with owners</b>						
Issued during the financial year	12,719,130	-	-	-	12,719,130	12,719,130
Arising from restructuring exercise	(4,969,130)	(4,969,130)	-	-	(4,969,130)	(4,969,130)
Acquisition of non-controlling interests	-	-	-	2,800	-	2,800
Total transactions with owners	12,719,130	(4,969,130)	-	2,800	7,750,000	7,752,800
At 31 December 2011	12,719,150	(4,969,130)	10,203,906	(916)	17,953,926	17,953,010

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.3 Consolidated Statements of Changes in Equity (Cont'd)

	Attributable to Owners of the Parent					Non-Controlling Interests RM	Total Equity RM
	Share Capital RM	Merger Deficits RM	Retained Profits RM	Total RM	Non-Distributable Distributable		
At 1 January 2012	12,719,150	(4,969,130)	10,203,906	17,953,926	(916)	17,953,010	
Net profit/(loss) for the financial year, representing total comprehensive income for the financial year	-	-	7,194,165	7,194,165	(41,677)	7,152,488	
<b>Transaction with owners</b>							
Acquisition of non-controlling interests	-	-	-	-	5,970	5,970	
At 31 December 2012	12,719,150	(4,969,130)	17,398,071	25,148,091	(36,623)	25,111,468	

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.3 Consolidated Statements of Changes in Equity (Cont'd)

	Note	Attributable to Owners of the Parent					Total Equity RM
		Share Capital RM	Share Premium RM	Merger Deficits RM	Retained Profits RM	Non- Controlling Interests RM	
At 1 January 2013		12,719,150	-	(4,969,130)	17,398,071	(36,623)	25,111,468
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	6,294,259	44,023	6,338,282
<b>Transaction with owners</b>							
Issue of ordinary shares	7.5.12	5,451,506	11,556,808	-	-	-	17,008,314
At 31 December 2013		18,170,656	11,556,808	(4,969,130)	23,692,330	7,400	48,458,064

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.3 Consolidated Statements of Changes in Equity (Cont'd)

	Attributable to Owners of the Parent						Total Equity RM
	Share Capital RM	Share Premium RM	Merger Deficits RM	Retained Profits RM	Non- Controlling Interests RM	Total RM	
At 1 January 2014	18,170,656	11,556,808	(4,969,130)	23,692,330	7,400	48,450,664	48,458,064
Net profit/(loss) for the financial period, representing total comprehensive income for the financial period	-	-	-	3,830,948	(97,261)	3,830,948	3,733,687
At 30 September 2014	18,170,656	11,556,808	(4,969,130)	27,523,278	(89,861)	52,281,612	52,191,751

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.4 Consolidated Statements of Cash Flows

The following consolidated statements of cash flows are based on the audited financial statements of the BHB Group for the FYE 2011, 2012, 2013 and FPE 2014.

	<----- FYE 31 December ----->			FPE 30
	2011 RM	2012 RM	2013 RM	September 2014 RM
<b>Cash Flows From Operating Activities</b>				
Profit before taxation	5,678,229	7,561,038	7,539,679	4,087,428
Adjustments for:				
Amortisation of development expenditures	141,664	223,201	443,876	717,535
Bad debts written off	7,255	108,743	633	-
Corporate expenses written off	-	-	550,271	-
Depreciation of property, plant and equipment	663,829	1,357,832	2,095,237	1,811,134
Impairment on trade receivables	22,755	-	-	143,872
Inventories written down	-	74,229	-	-
Inventories written off	-	108,310	-	-
Interest expenses	31,318	200,077	350,298	153,202
Interest income	(13,505)	(45)	(67,945)	(217,580)
Gain on disposal of property, plant and equipment	-	-	(43,400)	-
Grant income	(16,116)	(1,531,375)	(791,152)	(3,940,965)
Reversal of impairment on trade receivables	-	(53,355)	-	-
Unrealised gain on foreign exchange	-	-	(146,770)	-
Operating profit before working capital changes	6,515,429	8,048,655	9,930,727	2,754,626
<b>Change in working capital:</b>				
Inventories	(208,865)	(1,040,125)	(1,616,250)	(568,736)
Trade receivables	(6,516,523)	(2,263,234)	(189,031)	(2,293,580)
Other receivables	(511,264)	(1,009,910)	(2,292,146)	2,445,839
Trade payables	932,490	617,322	(687,593)	(376,883)
Other payables	1,661,460	(182,235)	574,136	(486,010)
Amounts owing to a Director	21,261	18,705	58,436	(58,060)
	(4,621,441)	(3,859,477)	(4,152,448)	(1,337,430)
Cash generated from operations	1,893,988	4,189,178	5,778,279	1,417,196



## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.4 Consolidated Statements of Cash Flows (Cont'd)

	Note	<----- FYE 31 December ----->			FPE 30
		2011 RM	2012 RM	2013 RM	September 2014 RM
Cash generated from operations		1,893,988	4,189,178	5,778,279	1,417,196
Interest paid		(31,318)	(200,077)	(350,298)	(153,202)
Interest received		13,505	45	67,945	217,580
Tax paid		(66,574)	(93,859)	(316,278)	(152,999)
Tax refund		-	-	27,055	-
		<u>(84,387)</u>	<u>(293,891)</u>	<u>(571,576)</u>	<u>(88,621)</u>
Net cash from operating activities		<u>1,809,601</u>	<u>3,895,287</u>	<u>5,206,703</u>	<u>1,328,575</u>
<b>Cash Flows From Investing Activities</b>					
Additional development expenditures	7.5.7	(295,984)	(533,067)	(4,755,203)	(2,729,703)
Purchase of property, plant and equipment	7.5.6(d)	(4,146,438)	(6,691,181)	(3,727,739)	(2,965,121)
Deposits paid for purchase of property, plant and equipment		<u>(1,561,958)</u>	-	<u>(5,797,375)</u>	<u>(2,124,909)</u>
Net cash used in investing activities		<u>(6,004,380)</u>	<u>(7,224,248)</u>	<u>(14,280,317)</u>	<u>(7,819,733)</u>
<b>Cash Flows From Financing Activities</b>					
Net changes in banker's acceptances		-	750,000	(156,018)	(393,982)
Acquisition of shares from non-controlling interests		-	5,970	-	-
Drawdown of term loans		-	1,773,956	199,800	-
Grant received		16,116	1,531,375	1,928,034	4,517,809
Decrease/(Increase) in fixed deposits pledged		(206,200)	(299,988)	(23,229)	459,829
Proceeds from issue of ordinary shares		-	-	17,008,314	-
Proceeds from issue of redeemable convertible preference shares		4,000,000	-	-	-
Proceeds from disposal of subsidiary company to non-controlling interests		2,800	-	-	-
Repayment of finance lease payables		(98,464)	(163,075)	(390,574)	(197,590)
Repayment of term loans		<u>(5,649)</u>	<u>(15,605)</u>	<u>(208,524)</u>	<u>(187,078)</u>
Net cash from financing activities		<u>3,708,603</u>	<u>3,582,633</u>	<u>18,357,803</u>	<u>4,198,988</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.4 Consolidated Statements of Cash Flows (Cont'd)

	<----- FYE 31 December ----->			FPE 30
	2011 RM	2012 RM	2013 RM	September 2014 RM
<b>Net changes in cash and cash equivalents</b>	(486,176)	253,672	9,284,189	(2,292,170)
<b>Effect of exchange rate changes</b>	-	-	146,770	23,229
<b>Cash and cash equivalents at beginning of the financial year/period</b>	<u>993,553</u>	<u>507,377</u>	<u>761,049</u>	<u>10,192,008</u>
<b>Cash and cash equivalents at end of the financial year/period</b>	<u>507,377</u>	<u>761,049</u>	<u>10,192,008</u>	<u>7,923,067</u>
<b>Cash and cash equivalents at end of the financial year/period comprise:</b>				
Cash and bank balances	507,650	761,049	1,832,008	6,051,918
Fixed deposits with licensed banks	406,200	706,188	9,089,417	2,408,859
Bank overdraft	(273)	-	-	(291,351)
	<u>913,577</u>	<u>1,467,237</u>	<u>10,921,425</u>	<u>8,169,426</u>
Less: Fixed deposits pledged with licensed banks	<u>(406,200)</u>	<u>(706,188)</u>	<u>(729,417)</u>	<u>(246,359)</u>
	<u>507,377</u>	<u>761,049</u>	<u>10,192,008</u>	<u>7,923,067</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements

## 7.5.1 Revenue

Revenue represents the invoiced value of services rendered or goods sold less returns and discounts, if any.

## 7.5.2 Finance Costs

	< ----- FYE 31 December ----- >			FPE 30 September
	2011	2012	2013	2014
	RM	RM	RM	RM
Interest expenses on:				
Term loans	18,697	62,236	208,199	100,147
Bank overdraft	-	68,032	44,452	25,427
Banker's acceptances	-	14,801	43,460	-
Hire purchase	12,621	55,008	54,187	27,628
	<u>31,318</u>	<u>200,077</u>	<u>350,298</u>	<u>153,202</u>

## 7.5.3 Profit before Taxation

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

	< ----- FYE 31 December ----- >			FPE 30 September
	2011	2012	2013	2014
	RM	RM	RM	RM
Auditors' remuneration				
- current year	57,000	57,000	59,000	48,375
- others	-	-	-	30,000
Amortisation of development expenditures	141,664	223,201	443,876	717,535
Bad debts written off	7,255	108,743	633	-
Corporate expenses written off	-	-	550,271	-
Depreciation of property, plant and equipment				
- administrative expenses	206,993	440,182	806,617	436,787
- cost of sales	456,836	917,650	1,288,620	1,374,347

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.3 Profit before Taxation (Cont'd)

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

	< ----- FYE 31 December ----- >			FPE 30
	2011	2012	2013	September
	RM	RM	RM	2014 RM
Directors' remuneration				
- <i>Company's Directors</i>				
- fee	42,500	232,292	228,000	219,800
- salaries and other emoluments	211,800	180,362	614,081	591,930
- Employees Provident Fund	20,808	12,600	21,320	35,064
- <i>Other Director</i>				
- fee	2,000	-	-	-
Inventories written down	-	74,229	-	-
Inventories written off	-	108,310	-	-
Impairment on trade receivables	22,755	-	350,298	143,872
Incorporation fee	23,750	-	-	-
Rental of premises	164,370	212,972	208,435	181,500
Rental of equipments	-	-	-	3,248
Gain on disposal of property, plant and equipment	-	-	(43,400)	-
Loss/(Gain) on foreign exchange				
- realised	-	-	32,558	4,861
- unrealised	-	-	(146,770)	-
Grant income	(16,116)	(1,531,375)	(791,152)	(3,940,965)
Interest income	(13,505)	(45)	(67,945)	(217,580)
Reversal of impairment of trade receivables	-	(53,355)	-	-
Rental income	-	(2,420)	(29,040)	(27,870)

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.4 Taxation

	< ----- FYE 31 December ----- >			FPE 30
	2011	2012	2013	September
	RM	RM	RM	RM
Tax expense recognised in profit and loss:				
Current tax provision	120,244	159,944	118,100	112,000
Under/(Over) provision in prior years/period	5,003	65,678	(36,059)	(11,659)
	<u>125,247</u>	<u>225,622</u>	<u>82,041</u>	<u>100,341</u>
Deferred tax:				
Relating to origination of temporary differences	100,775	206,533	1,124,500	253,400
Under/(Over) provision in prior year	20,897	(23,605)	(5,144)	-
	<u>121,672</u>	<u>182,928</u>	<u>1,119,356</u>	<u>253,400</u>
Tax expense for the financial year/period	<u>246,919</u>	<u>408,550</u>	<u>1,201,397</u>	<u>353,741</u>

Income tax is calculated at a rate of 25% of chargeable income of the estimated assessable profit for the financial year/period.

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

The Group has unused tax losses and unutilised capital allowances amounting to approximately RM388,800 and RM452,600 (2011: RM109,230 and RM29,660; 2012: RM196,860 and RM25,700; 2013: RM218,600 and RM439,500) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.4 Taxation (Cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group are as follows:

	< ----- FYE 31 December ----- >			FPE 30
	2011	2012	2013	September
	RM	RM	RM	2014 RM
Profit before taxation	5,678,229	7,561,038	7,539,679	4,087,428
Taxation at Malaysian statutory tax rate of 25%	1,419,557	1,890,260	1,884,920	1,021,857
Expenses not deductible for tax purposes	190,997	222,178	562,603	682,028
Income exempted under BioNexus status	(1,265,616)	(1,332,120)	(778,200)	(424,720)
Income not subject to tax	-	-	(226,739)	(25,167)
Tax effect on development costs capitalised expense off	-	-	-	(682,426)
Deferred tax assets not recognised	29,466	20,917	4,157	44,107
Utilisation of reinvestment allowance	(153,385)	(434,758)	(167,849)	(231,073)
Utilisation of previous years unutilised capital allowances	-	-	(36,292)	(19,206)
Under/(Over) provision in respect of prior year				
- taxation	5,003	65,678	(36,059)	(11,659)
- deferred taxation	20,897	(23,605)	(5,144)	-
Tax expense for the financial year/period	246,919	408,550	1,201,397	353,741

## 7.5.5 Employee Benefits Expenses

	< ----- FYE 31 December ----- >			FPE 30
	2011	2012	2013	September
	RM	RM	RM	2014 RM
Employee benefits expenses (excluding Directors)	850,471	1,740,907	1,426,836	1,854,350
Less: Capitalised in development expenditures	(314,025)	(511,389)	-	-
	536,446	1,229,518	1,426,836	1,854,350

Included in the employee benefits expenses are contributions made to the Employees Provident Fund under a defined contribution plan of the Group amounting to RM151,693 (2011: RM64,037; 2012: RM113,198; 2013: RM178,198).

### 13. ACCOUNTANTS' REPORT (Cont'd)

#### 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

##### 7.5 Notes to the Financial Statements (Cont'd)

##### 7.5.6 Property, Plant and Equipment

	Leasehold land and factory building RM	Computer system and peripherals RM	Furniture and fittings RM	Lab and office equipments RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Capital work-in- progress RM	Total RM
<b>2011</b>										
<b>Cost</b>										
At 1 January	-	233,079	112,027	45,499	292,202	1,776,708	883,863	79,576	-	3,422,954
Additions	1,141,095	37,115	760	15,993	49,432	3,028,607	165,170	608,700	945,326	5,992,198
At 31 December	1,141,095	270,194	112,787	61,492	341,634	4,805,315	1,049,033	688,276	945,326	9,415,152
<b>Accumulated depreciation</b>										
At 1 January	-	97,520	26,632	11,926	80,081	386,262	138,728	24,239	-	765,388
Charge for the financial year	20,017	51,497	11,209	5,063	63,383	388,071	103,423	21,166	-	663,829
At 31 December	20,017	149,017	37,841	16,989	143,464	774,333	242,151	45,405	-	1,429,217
<b>Carrying amount</b>										
At 31 December	1,121,078	121,177	74,946	44,503	198,170	4,030,982	806,882	642,871	945,326	7,985,935

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.6 Property, Plant and Equipment (Cont'd)

2012	Leasehold land and factory building	Computer system and peripherals	Furniture and fittings	Lab and office equipments	Motor vehicles	Plant and machineries	Renovations	Signage and display items	Infra- structure expenditures	Capital work-in- progress	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January	1,141,095	270,194	112,787	61,492	341,634	4,805,315	1,049,033	688,276	-	945,326	9,415,152
Additions	-	22,980	15,607	123,145	-	4,921,971	1,558,850	85	1,222,500	714,583	8,579,721
At 31 December	1,141,095	293,174	128,394	184,637	341,634	9,727,286	2,607,883	688,361	1,222,500	1,659,909	17,994,873
Accumulated depreciation											
At 1 January	20,017	149,017	37,841	16,989	143,464	774,333	242,151	45,405	-	-	1,429,217
Charge for the financial year	4,262	52,821	11,434	21,197	68,327	806,192	202,515	68,834	122,250	-	1,357,832
At 31 December	24,279	201,838	49,275	38,186	211,791	1,580,525	444,666	114,239	122,250	-	2,787,049
Carrying amount											
At 31 December	1,116,816	91,336	79,119	146,451	129,843	8,146,761	2,163,217	574,122	1,100,250	1,659,909	15,207,824



## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.6 Property, Plant and Equipment (Cont'd)

2013	Leasehold land and factory building RM	Computer system and peripherals RM	Furniture and fittings RM	Lab and office equipments RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infra- structure expenditures RM	Capital work-in- progress RM	Total RM
Cost											
At 1 January	1,141,095	293,174	128,394	184,637	341,634	9,727,286	2,607,883	688,361	1,222,500	1,659,909	17,994,873
Additions	-	4,146	16,916	249,738	441,869	2,267,395	350,000	2,100	-	986,175	4,318,339
Disposal	-	-	-	-	(176,000)	-	-	-	-	-	(176,000)
Reclassification	2,646,084	-	-	-	-	-	-	-	-	(2,646,084)	-
At 31 December	3,787,179	297,320	145,310	434,375	607,503	11,994,681	2,957,883	690,461	1,222,500	-	22,137,212
Accumulated depreciation											
At 1 January	24,279	201,838	49,275	38,186	211,791	1,580,525	444,666	114,239	122,250	-	2,787,049
Charge for the financial year	36,719	41,136	13,609	48,043	89,738	1,401,451	273,349	68,942	122,250	-	2,095,237
Disposal	-	-	-	-	(114,400)	-	-	-	-	-	(114,400)
At 31 December	60,998	242,974	62,884	86,229	187,129	2,981,976	718,015	183,181	244,500	-	4,767,886
Carrying amount											
At 31 December	3,726,181	54,346	82,426	348,146	420,374	9,012,705	2,239,868	507,280	978,000	-	17,369,326

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.6 Property, Plant and Equipment (Cont'd)

	Leasehold land and factory building RM	Computer system and peripherals RM	Furniture and fittings RM	Lab and office equipments RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infrastructure expenditures RM	Capital work-in- progress RM	Total RM
<b>2014</b>											
<b>Cost</b>											
At 1 January	3,787,179	297,320	145,310	434,375	607,503	11,994,681	2,957,883	690,461	1,222,500	-	22,137,212
Additions	279,950	183,457	61,973	158,804	-	1,156,050	511,083	169,754	4,050	440,000	2,965,121
At 30 September	4,067,129	480,777	207,283	593,179	607,503	13,150,731	3,468,966	860,215	1,226,550	440,000	25,102,333
<b>Accumulated depreciation</b>											
At 1 January	60,998	242,974	62,884	86,229	187,129	2,981,976	718,015	183,181	244,500	-	4,767,886
Charge for the financial period	36,031	39,406	14,060	52,779	84,041	1,189,853	248,338	54,938	91,688	-	1,811,134
At 30 September	97,029	282,380	76,944	139,008	271,170	4,171,829	966,353	238,119	336,188	-	6,579,020
<b>Carrying amount</b>											
At 30 September	3,970,100	198,397	130,339	454,171	336,333	8,978,902	2,502,613	622,096	890,362	440,000	18,523,313

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.6 Property, Plant and Equipment (Cont'd)

- (a) The carrying amount of property, plant and equipment of the Group acquired under hire purchase financing are as follows:

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Plant and machineries	1,109,878	839,343	593,539	275,712
Motor vehicles	153,681	85,683	214,513	199,282
	<u>1,263,559</u>	<u>925,026</u>	<u>808,052</u>	<u>474,994</u>

- (b) The leasehold land and factory building of the Group has been pledged to a licensed bank as securities for credit facilities granted to a subsidiary company as disclosed in Note 7.5.17.
- (c) The remaining lease period of the leasehold land and factory building is 92 years (2011: 95 years; 2012: 94 years; 2013: 93 years).
- (d) The aggregate additional cost for the property, plant and equipment of the Group during the financial year/period under hire purchase financing, term loan financing and cash payments are as follows:

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Aggregate costs	5,992,198	8,579,721	4,318,339	2,965,121
Less:				
Transferred from deposits	-	(1,888,540)	(216,600)	-
Hire purchase financing	(885,760)	-	(269,000)	-
Term loan financing	(960,000)	-	-	-
Trade in of motor vehicle	-	-	(105,000)	-
Cash payments	<u>4,146,438</u>	<u>6,691,181</u>	<u>3,727,739</u>	<u>2,965,121</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.7 Development Expenditures

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	RM
<b>Cost</b>				
At 1 January	984,237	1,280,221	1,813,288	6,568,491
Additions	295,984	533,067	4,755,203	2,729,703
At 31 December/30 September	<u>1,280,221</u>	<u>1,813,288</u>	<u>6,568,491</u>	<u>9,298,194</u>
<b>Accumulated amortisation</b>				
At 1 January	232,314	373,978	597,179	1,041,055
Amortisation for the financial year/period	141,664	223,201	443,876	717,535
At 31 December/30 September	<u>373,978</u>	<u>597,179</u>	<u>1,041,055</u>	<u>1,758,590</u>
<b>Carrying amount</b>				
At 31 December/30 September	<u>906,243</u>	<u>1,216,109</u>	<u>5,527,436</u>	<u>7,539,604</u>

Development expenditure represents the costs incurred in respect of the on-going development of *cordyceps* as an active biological compound for use in health formulations.

During the FYE 2013, a wholly-owned subsidiary company, BISB invested in development of *Tiger Milk Mushroom*.

Included in development expenditures incurred during the financial year/period are:

	Note	< ----- As at 31 December ----- >			As at 30
		2011	2012	2013	September
		RM	RM	RM	RM
Salaries		295,984	472,030	-	-
EPF		18,041	39,359	-	-
	7.5.5	<u>314,025</u>	<u>511,389</u>	<u>-</u>	<u>-</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.8 Inventories

	< ----- As at 31 December ----- >			As at 30 September
	2011	2012	2013	2014
	RM	RM	RM	RM
<b>At cost:</b>				
Raw materials	433,374	1,039,670	2,275,562	3,045,865
Consumables	-	86,709	135,180	106,034
Finished goods	19,365	166,817	515,833	343,412
	<u>452,739</u>	<u>1,293,196</u>	<u>2,926,575</u>	<u>3,495,311</u>
<b>At net realisable value:</b>				
Raw materials	-	17,129	-	-
	<u>452,739</u>	<u>1,310,325</u>	<u>2,926,575</u>	<u>3,495,311</u>
Recognised in profit or loss:				
Inventories written off	-	74,229	-	-
Inventories written down	-	108,310	-	-

## 7.5.9 Trade Receivables

	< ----- As at 31 December ----- >			As at 30 September
	2011	2012	2013	2014
	RM	RM	RM	RM
Trade receivables	10,627,878	12,782,369	12,970,767	15,264,347
Less: Accumulated impairment	(53,355)	-	-	(143,872)
	<u>10,574,523</u>	<u>12,782,369</u>	<u>12,970,767</u>	<u>15,120,475</u>

The Group's normal trade credit terms range from 30 to 180 days (2011: 90 to 180 days; 2012: 90 to 180 days; 2013: 90 to 180 days). Other credit terms are assessed and approved on a case by case basis.

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.9 Trade Receivables (Cont'd)

Movements in impairment on trade receivables are as follows:

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
At 1 January	30,600	53,355	-	-
Impairment during the financial year/period	22,755	-	-	143,872
Reversal of impairment	-	(53,355)	-	-
At 31 December/30 September	<u>53,355</u>	<u>-</u>	<u>-</u>	<u>143,872</u>

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

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Neither past due nor impaired	8,845,243	3,940,117	5,037,804	14,637,547
<i>Past due not impaired:</i>				
Less than 30 days	12,003	3,438,748	3,848,022	23,397
31 - 90 days	223,693	2,404,055	1,429,839	31,590
More than 90 days	1,493,584	2,999,449	2,655,102	427,941
	<u>1,729,280</u>	<u>8,842,252</u>	<u>7,932,963</u>	<u>482,928</u>
	<u>10,574,523</u>	<u>12,782,369</u>	<u>12,970,767</u>	<u>15,120,475</u>
Impaired	53,355	-	-	143,872
	<u>10,627,878</u>	<u>12,782,369</u>	<u>12,970,767</u>	<u>15,264,347</u>

As at 30 September 2014, trade receivables of RM482,928 (2011: RM1,729,280; 2012: RM8,842,252; 2013: RM7,932,963) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM143,872 (2011: RM22,755; 2012: Nil; 2013: Nil) relate to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

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

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.9 Trade Receivables (Cont'd)

Credit risk concentration profile

The Group has significant concentrations of credit risk arising from 3 (2011: 3; 2012: 3; 2013: 9) major customers that represent approximately 39% (2011:37%; 2012: 34%; 2013: 58%) of the gross trade receivables balance at end of the reporting period.

## 7.5.10 Other Receivables

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	RM
Other receivables	80,772	1,508,579	3,853,507	102,561
Deposits	2,798,166	595,246	6,122,035	8,111,515
Prepayments	776,032	672,515	123,448	1,563,984
	<u>3,654,970</u>	<u>2,776,340</u>	<u>10,098,990</u>	<u>9,778,060</u>

## 7.5.11 Fixed Deposits with Licensed Banks

The interest rates of fixed deposits of the Group range from 1.85% to 3.10% (2011: 3.30% to 3.40%; 2012: 3.15% to 3.40%; 2013: 1.85% to 3.10%) per annum and the maturity of deposits is 180 to 365 days (2011: 365 days; 2012: 365 days; 2013: 180 to 365 days) respectively.

The fixed deposits of the Group amounting to RM246,359 (2011: RM406,200, 2012: RM706,188; 2013: RM729,417) have been pledged to licensed banks as securities for credit facilities granted to a subsidiary company as disclosed in Note 7.5.17.

13. ACCOUNTANTS' REPORT (Cont'd)

7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.5 Notes to the Financial Statements (Cont'd)

7.5.12 Share Capital

	Number of Shares				Amount			
	As at 31 December		As at 30 September		As at 31 December		As at 30 September	
	2011	2012	2013	2014	2011	2012	2013	2014
Par value RM	Unit	Unit	Unit	Unit	RM	RM	RM	RM
<b>Authorised</b>								
At date of incorporation/	1.00/							
At 1 January	0.05	500,000,000	500,000,000	500,000,000	100,000	25,000,000	25,000,000	25,000,000
Share split	0.05	1,900,000	-	-	-	-	-	-
	0.05	2,000,000	500,000,000	500,000,000	100,000	25,000,000	25,000,000	25,000,000
<b>Created during the financial year/period</b>								
At 31 December/30 September	0.05	498,000,000	-	-	24,900,000	-	-	-
	0.05	500,000,000	500,000,000	500,000,000	25,000,000	25,000,000	25,000,000	25,000,000
<b>Issued and fully paid</b>								
At date of incorporation/	1.00/							
At 1 January	0.05	20	254,383,000	254,383,000	20	12,719,150	12,719,150	18,170,656
Share split	0.05	380	-	-	-	-	-	-
	0.05	400	254,383,000	254,383,000	20	12,719,150	12,719,150	18,170,656
<b>Issued during the financial year/period</b>								
At 31 December/30 September	0.05	254,382,600	-	109,030,114	12,719,130	-	5,451,506	-
	0.05	254,383,000	254,383,000	363,413,114	12,719,150	12,719,150	18,170,656	18,170,656

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



## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.13 Share Premium

Share premium arose from issuance of 109,030,114 ordinary shares of RM0.05 each at a premium of RM0.106 per Share in the FYE 2013.

## 7.5.14 Merger Deficits

The merger deficits arise from the acquisition of BISB and its subsidiary companies, BRSB and BDSB, as follows:

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
Cost of merger	12,719,130	12,719,130	12,719,130	12,719,130
Less: Net assets of subsidiary companies	<u>(7,750,000)</u>	<u>(7,750,000)</u>	<u>(7,750,000)</u>	<u>(7,750,000)</u>
Merger deficits	<u>4,969,130</u>	<u>4,969,130</u>	<u>4,969,130</u>	<u>4,969,130</u>

## 7.5.15 Non-Controlling Interests

The summarised financial information on subsidiary companies with material non-controlling interests are as follows:

Name of company	Proportion of ownership interests and voting rights		< ----- FYE 31 December ----- >			FPE 30
	2011-2013	2014	2011	2012	2013	September
	%	%	RM	RM	RM	2014
BASB	28	28	29,837	47,282	56,576	(9,048)
BJHSB	49.6	49.6	<u>(33,553)</u>	<u>(88,959)</u>	<u>(12,553)</u>	<u>(88,213)</u>
<b>Profit/(Loss) allocated to non-controlling interests</b>			<u>(3,716)</u>	<u>(41,677)</u>	<u>44,023</u>	<u>(97,261)</u>
BASB	28	28	32,637	79,919	136,495	127,447
BJHSB	49.6	49.6	<u>(33,553)</u>	<u>(116,542)</u>	<u>(129,095)</u>	<u>(217,308)</u>
<b>Accumulated non-controlling interests</b>			<u>(916)</u>	<u>(36,623)</u>	<u>7,400</u>	<u>(89,861)</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.15 Non-Controlling Interests (Cont'd)

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

	FYE 31 December				FPE 30 September			
	2011		2012		2013		2014	
	BASB RM	BJHSB RM	BASB RM	BJHSB RM	BASB RM	BJHSB RM	BASB RM	BJHSB RM
Total assets	1,375,035	44,789	2,539,215	39,410	1,626,756	45,342	2,531,917	46,750
Total liabilities	(1,376,251)	(166,843)	(2,422,105)	(262,548)	(1,307,590)	(293,788)	(2,245,065)	(473,045)
Net assets/(liabilities)	(1,216)	(122,054)	117,110	(223,138)	319,166	(248,446)	286,852	(426,295)
Equity attributable to:								
Owners of the parent	(33,853)	(94,471)	37,191	(106,596)	182,671	(119,351)	159,405	(208,987)
Non-controlling interests	32,637	(27,583)	79,919	(116,542)	136,495	(129,095)	127,447	(217,308)
<b>FYE 31 December/FPE 30 September</b>								
Revenue	1,288,000	-	1,288,000	28,500	2,132,671	114,443	1,379,520	79,200
Net (loss)/profit before taxation	42,160	(113,843)	152,270	(120,984)	228,456	(25,308)	(32,314)	(177,849)
Taxation	(35,600)	-	(33,944)	-	(26,400)	-	-	-
Net (loss)/profit for the financial period/year	6,560	(113,843)	118,326	(120,984)	202,056	(25,308)	(32,314)	(177,849)
Net cash from/(used in) operating activities	(20)	49,332	1,334,374	-	(85,769)	13,619	344,886	6,154
Net cash used in investing activities	-	(49,432)	(1,236,430)	-	(8,869)	-	(4,050)	(9,450)
Net cash used in financing activities	9,998	-	-	-	(10,819)	-	(8,853)	-
Net changes in cash and cash equivalents	9,978	(100)	97,944	-	(105,457)	13,619	331,983	(3,296)

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.16 Finance Lease Payables

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	RM
<b>(a) Minimum finance lease payments</b>				
Within one year	307,444	288,812	292,236	286,727
Between one to five years	950,348	756,282	602,552	382,843
	<u>1,257,792</u>	<u>1,045,094</u>	<u>894,788</u>	<u>669,570</u>
Less: Future finance charges	<u>(149,361)</u>	<u>(99,738)</u>	<u>(71,006)</u>	<u>(43,378)</u>
Present value of finance lease payables	<u>1,108,431</u>	<u>945,356</u>	<u>823,782</u>	<u>626,192</u>
<b>(b) Present value of finance lease payables</b>				
Within one year	232,440	241,091	257,359	262,476
Between one to five years	875,991	704,265	566,423	363,716
	<u>1,108,431</u>	<u>945,356</u>	<u>823,782</u>	<u>626,192</u>
<b>Analysed as:</b>				
Repayable within twelve months	232,440	241,091	257,359	262,476
Repayable after twelve months	875,991	704,265	566,423	363,716
	<u>1,108,431</u>	<u>945,356</u>	<u>823,782</u>	<u>626,192</u>

The interest rates of the Group at the end of the reporting period range from 2.55% to 4.00% (2011: 3.75% - 5.15%; 2012: 3.75% - 5.15%; 2013: 2.55% to 4.00%) per annum.

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5.17 Bank Borrowings

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
<b>Secured:</b>				
Bank overdraft	273	-	-	291,351
Banker's acceptances	-	750,000	593,982	200,000
Term loans	960,000	2,718,351	2,709,627	2,522,549
	<u>960,273</u>	<u>3,468,351</u>	<u>3,303,609</u>	<u>3,013,900</u>
<b>Analysed as:</b>				
<b>Repayable within twelve months</b>				
Bank overdraft	273	-	-	291,351
Banker's acceptances	-	750,000	593,982	200,000
Term loans	30,144	228,707	232,107	216,971
	<u>30,417</u>	<u>978,707</u>	<u>826,089</u>	<u>708,322</u>
<b>Repayable after twelve months</b>				
Term loans	929,856	2,489,644	2,477,520	2,305,578
	<u>960,273</u>	<u>3,468,351</u>	<u>3,303,609</u>	<u>3,013,900</u>

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

- first legal charge over leasehold land and factory building of the Group as disclosed in Note 7.5.6;
- pledged of fixed deposits of the Group as disclosed in Note 7.5.11;
- personal guarantee by certain of Directors of the Company; and
- corporate guarantee by the Company.

The maturity of bank borrowings is as follows:

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Within one year	30,417	978,707	826,089	708,322
Between one and two years	32,139	243,385	244,754	238,145
Between two and three years	33,565	256,655	342,927	227,373
Between three and four years	33,055	270,649	50,841	53,022
Between four and five years	36,610	142,048	53,769	56,076
After five years	794,487	1,576,907	1,785,229	1,730,962
	<u>960,273</u>	<u>3,468,351</u>	<u>3,303,609</u>	<u>3,013,900</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5.17 Bank Borrowings (Cont'd)

The interest rates per annum at the end of the reporting period were as follows:

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	%	%	%	2014
				%
Bank overdraft	8.25	8.35	-	7.35 - 8.35
Banker's acceptances	-	5.88	5.88	5.88
Term loans	5.20	5.40 - 5.90	5.40 - 5.90	5.40 - 5.90

## 7.5.18 Deferred Tax Liabilities

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
At 1 January	129,144	250,816	433,744	1,553,100
Recognised in profit and loss	121,672	182,928	1,119,356	253,400
At 31 December/30 September	250,816	433,744	1,553,100	1,806,500

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

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Deferred tax liabilities	250,816	844,644	2,098,000	2,764,669
Deferred tax assets	-	(410,900)	(544,900)	(958,169)
	250,816	433,744	1,553,100	1,806,500

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.18 Deferred Tax Liabilities (Cont'd)

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Other deductible temporary difference RM	Total RM
At 1 January 2011	129,144	-	129,144
Recognised in profit or loss	121,672	-	121,672
At 31 December 2011	<u>250,816</u>	<u>-</u>	<u>250,816</u>
At 1 January 2012	250,816	-	250,816
Recognised in profit or loss	593,828	-	593,828
At 31 December 2012	<u>844,644</u>	<u>-</u>	<u>844,644</u>
At 1 January 2013	844,644	-	844,644
Recognised in profit or loss	124,156	1,129,200	1,253,356
At 31 December 2013	<u>968,800</u>	<u>1,129,200</u>	<u>2,098,000</u>
At 1 January 2014	968,800	1,129,200	2,098,000
Recognised in profit or loss	147,360	519,309	666,669
At 30 September 2014	<u>1,116,160</u>	<u>1,648,509</u>	<u>2,764,669</u>

Deferred tax assets of the Group:

	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 January 2012	-	-	-
Recognised in profit or loss	-	(410,900)	(410,900)
At 31 December 2012	<u>-</u>	<u>(410,900)</u>	<u>(410,900)</u>
At 1 January 2013	-	(410,900)	(410,900)
Recognised in profit or loss	(103,700)	(30,300)	(134,000)
At 31 December 2013	<u>(103,700)</u>	<u>(441,200)</u>	<u>(544,900)</u>
At 1 January 2014	(103,700)	(441,200)	(544,900)
Recognised in profit or loss	(1,428)	(411,841)	(413,269)
At 30 September 2014	<u>(105,128)</u>	<u>(853,041)</u>	<u>(958,169)</u>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.18 Deferred Tax Liabilities (Cont'd)

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

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Unused tax losses	109,235	196,859	218,600	388,810
Unutilised capital allowances	29,660	25,704	24,716	32,131
	<u>138,895</u>	<u>222,563</u>	<u>243,316</u>	<u>420,941</u>

## 7.5.19 Trade Payables

The normal trade credit term granted to the Group is 30 to 90 days (2011: 30 to 90 days; 2012: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

## 7.5.20 Other Payables

	< ----- As at 31 December ----- >			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Other payables	289,543	132,321	563,620	460,982
Deposits	8,575	434,170	14,450	14,450
Deferred capital grant	2,218,884	1,988,637	3,125,519	3,702,363
Accruals	238,581	18,220	580,777	197,405
	<u>2,755,583</u>	<u>2,573,348</u>	<u>4,284,366</u>	<u>4,375,200</u>

Deferred capital grant as at 31 December 2011 and 31 December 2012 refers to government grant received from the "Commercialisation Grant Program" for the acquisition of equipment for research activities.

Deferred capital grant as at 31 December 2013 and 30 September 2014 refers to government grant received from Malaysia Biotechnology Corporation ("MBC") and Malaysia Agriculture Trade Corporation ("MATRADE") for the acquisition of equipment for research activities.

There are no unfulfilled conditions or contingencies attached to these grants. The grants are being amortised over the useful life of the plant as recognised as other income in profit or loss.

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.20 Other Payables (Cont'd)

The movement of the deferred capital grant is as follow:

	< ----- FYE 31 December ----- >			FPE 30 September
	2011 RM	2012 RM	2013 RM	2014 RM
At 1 January	927,880	2,218,884	1,988,637	3,125,519
Grant received during the financial year/period	1,307,120	-	1,477,000	676,200
Amortised during the financial year/period	<u>(16,116)</u>	<u>(230,247)</u>	<u>(340,118)</u>	<u>(99,356)</u>
At 31 December/30 September	<u>2,218,884</u>	<u>1,988,637</u>	<u>3,125,519</u>	<u>3,702,363</u>

## 7.5.21 Amount Owing to a Director.

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

## 7.5.22 Related Party Disclosures

## (a) Identifying related parties

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

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

The Company has related party relationships with its subsidiary companies, other related companies and key management personnel.



## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.22 Related Party Disclosures (Cont'd)

(b) Information regarding compensation of key management personnel is as follows:

	< ----- FYE 31 December ----- >			FPE 30 September
	2011 RM	2012 RM	2013 RM	2014 RM
Short-term employee benefits	232,608	192,962	338,100	483,701

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Directors of the Company.

## 7.5.23 Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5.2 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

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

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>As at 31 December 2011</b>			
<b>Financial Assets</b>			
Trade receivables	10,574,523	-	10,574,523
Other receivables	3,654,970	-	3,654,970
Fixed deposits with licensed banks	406,200	-	406,200
Cash and bank balances	507,650	-	507,650
<b>Total financial assets</b>	<b>15,143,343</b>	<b>-</b>	<b>15,143,343</b>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

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

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>As at 31 December 2011</b>			
<b>Financial Liabilities</b>			
Trade payables	-	1,316,906	1,316,906
Other payables	-	2,755,583	2,755,583
Amounts owing to a Director	-	21,331	21,331
Finance lease payables	-	1,108,431	1,108,431
Bank borrowings	-	960,273	960,273
<b>Total financial liabilities</b>	<b>-</b>	<b>6,162,524</b>	<b>6,162,524</b>
<b>As at 31 December 2012</b>			
<b>Financial Assets</b>			
Trade receivables	12,782,369	-	12,782,369
Other receivables	2,776,340	-	2,776,340
Fixed deposits with licensed banks	706,188	-	706,188
Cash and bank balances	761,049	-	761,049
<b>Total financial assets</b>	<b>17,025,946</b>	<b>-</b>	<b>17,025,946</b>
<b>Financial Liabilities</b>			
Trade payables	-	1,934,228	1,934,228
Other payables	-	2,573,348	2,573,348
Amounts owing to a Director	-	40,036	40,036
Finance lease payables	-	954,356	954,356
Bank borrowings	-	3,468,351	3,468,351
<b>Total financial liabilities</b>	<b>-</b>	<b>8,961,319</b>	<b>8,961,319</b>
<b>As at 31 December 2013</b>			
<b>Financial Assets</b>			
Trade receivables	12,970,767	-	12,970,767
Other receivables	10,098,990	-	10,098,990
Fixed deposits with licensed banks	9,089,417	-	9,089,417
Cash and bank balances	1,832,008	-	1,832,008
<b>Total financial assets</b>	<b>33,991,182</b>	<b>-</b>	<b>33,991,182</b>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

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

	Loans and receivables RM	Other financial liabilities at amortised cost RM	Total RM
<b>As at 31 December 2013</b>			
<b>Financial Liabilities</b>			
Trade payables	-	1,246,635	1,246,635
Other payables	-	4,284,366	4,284,366
Amounts owing to a Director	-	98,472	98,472
Finance lease payables	-	823,782	823,782
Bank borrowings	-	3,303,609	3,303,609
<b>Total financial liabilities</b>	<b>-</b>	<b>9,756,864</b>	<b>9,756,864</b>
<b>As at 30 September 2014</b>			
<b>Financial Assets</b>			
Trade receivables	15,120,475	-	15,120,475
Other receivables	8,214,076	-	8,214,076
Fixed deposits with licensed banks	2,408,859	-	2,408,859
Cash and bank balances	6,051,918	-	6,051,918
<b>Total financial assets</b>	<b>31,795,328</b>	<b>-</b>	<b>31,795,328</b>
<b>Financial Liabilities</b>			
Trade payables	-	869,752	869,752
Other payables	-	4,375,200	4,375,200
Amounts owing to a Director	-	40,412	40,412
Finance lease payables	-	626,192	626,192
Bank borrowings	-	3,013,900	3,013,900
<b>Total financial liabilities</b>	<b>-</b>	<b>8,925,456</b>	<b>8,925,456</b>

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

## (b) Financial risk management objective and policies

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

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

## (i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, inter-company balances and deposits, cash and bank balances.

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the inability of its customers to make payments when due.

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

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group's maximum exposure to credit risk.

Credit risk concentration profile

The Group has significant concentrations of credit risk arising from 3 (2011: 3; 2012: 3; 2013: 9) major customers that represent approximately 39% (2011:37%; 2012: 34%; 2013: 58%) of the gross trade receivables balance at end of the reporting period.

### 13. ACCOUNTANTS' REPORT (Cont'd)

#### 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

#### 7.5 Notes to the Financial Statements (Cont'd)

##### 7.5.23 Financial Instruments (Cont'd)

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

##### (ii) Liquidity risk

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

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

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

	On demand or within 1 year		1 - 2 years		2 - 5 years		After 5 years		Total contractual cash flows		Carrying amount
	RM	RM	RM	RM	RM	RM	RM	RM	RM		
<b>As at 31 December 2011</b>											
<b>Financial liabilities</b>											
Trade payables	1,316,906	-	-	-	-	-	-	-	1,316,906	-	1,316,906
Other payables	2,755,583	-	-	-	-	-	-	-	2,755,583	-	2,755,583
Amounts owing to a Director	21,331	-	-	-	-	-	-	-	21,331	-	21,331
Finance lease payables	307,444	280,460	669,888	-	-	-	-	-	1,257,792	-	1,108,431
Bank borrowings	71,952	71,952	215,856	1,862,882	-	-	-	-	2,222,642	-	960,273
<b>Total undiscounted financial liabilities</b>	<b>4,473,216</b>	<b>352,412</b>	<b>885,744</b>	<b>1,862,882</b>	<b>7,574,254</b>	<b>6,162,524</b>					

## 13. ACCOUNTANTS' REPORT (Cont'd)

## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

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

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

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Carrying amount RM
<b>As at 31 December 2012</b>						
<b>Financial liabilities</b>						
Trade payables	1,934,228	-	-	-	1,934,228	1,934,228
Other payables	2,573,348	-	-	-	2,573,348	2,573,348
Amounts owing to a Director	40,036	-	-	-	40,036	40,036
Finance lease payables	288,812	280,460	475,822	-	1,045,094	945,356
Bank borrowings	1,084,999	375,552	985,399	3,071,828	5,517,778	3,468,351
Total undiscounted financial liabilities	5,921,423	656,012	1,461,221	3,071,828	11,110,484	8,961,319
<b>As at 31 December 2013</b>						
<b>Financial liabilities</b>						
Trade payables	1,246,635	-	-	-	1,246,635	1,246,635
Other payables	4,284,366	-	-	-	4,284,366	4,284,366
Amounts owing to a Director	98,472	-	-	-	98,472	98,472
Finance lease payables	292,236	265,063	337,489	-	894,788	823,782
Bank borrowings	969,534	375,552	765,751	2,280,137	4,390,974	3,303,609
Total undiscounted financial liabilities	6,891,243	640,615	1,103,240	2,280,137	10,915,235	9,756,864

**13. ACCOUNTANTS' REPORT (Cont'd)**
**7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)**
**7.5 Notes to the Financial Statements (Cont'd)**
**7.5.23 Financial Instruments (Cont'd)**
**(b) Financial risk management objective and policies (Cont'd)**
**(ii) Liquidity risk (Cont'd)**

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Carrying amount RM
<b>As at 30 September 2014</b>						
<b>Financial liabilities</b>						
Trade payables	869,752	-	-	-	869,752	869,752
Other payables	4,375,200	-	-	-	4,375,200	4,375,200
Amounts owing to a Director	40,412	-	-	-	40,412	40,412
Finance lease payables	286,727	270,934	111,909	-	669,570	626,192
Bank borrowings	866,903	374,329	504,157	2,255,566	4,000,955	3,013,900
Total undiscounted financial liabilities	6,438,994	645,263	616,066	2,255,566	9,955,889	8,925,456

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

## (c) Market risk

## (i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in foreign currencies, primarily United States Dollar (USD).

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

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

	<b>Denominated in USD RM</b>
<b>As at 31 December 2011</b>	
Other receivables	-
Cash and bank balances	-
	<u>-</u>
<b>As at 31 December 2012</b>	
Other receivables	-
Cash and bank balances	300
	<u>300</u>
<b>As at 31 December 2013</b>	
Other receivables	1,419,600
Cash and bank balances	8,682
	<u>1,428,282</u>
<b>As at 30 September 2014</b>	
Other receivables	-
Cash and bank balances	-
	<u>-</u>



## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

## (c) Market risk (Cont'd)

## (i) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

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

	<----- FYE 31 December ----->			
	2012		2013	
	Change in foreign currency	Effect to profit or loss RM	Change in foreign currency	Effect to profit or loss RM
USD	10%	30	10%	142,828

## (ii) Interest rate risk

The Group is exposed to interest rate risk arises primarily from financing through interest bearing financial assets and financial liabilities. The Group's policy is to obtain the financing with the most favourable interest rates in the market.

The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The Group is exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits.

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk are as follows:

	<----- As at 31 December ----->			As at 30 September
	2011 RM	2012 RM	2013 RM	2014 RM
<b>Financial Asset</b>				
Fixed deposits with licensed banks	406,200	706,188	9,089,417	2,408,859
<b>Financial Liability</b>				
Bank borrowings	960,273	3,468,351	3,303,609	3,013,900

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.23 Financial Instruments (Cont'd)

## (c) Market risk (Cont'd)

## (ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity

	<----- As at 31 December ----->			As at 30 September
	2011	2012	2013	2014
	RM	RM	RM	RM
<b>Effect to profit or loss</b>				
- Increased by 1%	(5,541)	(27,622)	57,858	(6,050)
- Decreased by 1%	5,541	27,622	(57,858)	6,050

## (d) Fair values of financial assets and financial liabilities

(i) Financial instruments at fair value

As the financial assets and liabilities of the Group are not carried at fair value by any valuation method, the fair value hierarchy analysis is not presented.

(ii) Financial instrument other than those carried at fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

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

*Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The carrying amounts of the liability of the Group at the end of the reporting period reasonably approximate their fair values except as follows:

	<----- As at 31 December ----->			As at 30 September
	2011	2012	2013	2014
	RM	RM	RM	RM
<b>Financial liability</b>				
Finance lease payables				
- Carrying amount				
(Non-current)	875,991	704,265	566,423	363,716
- Fair value	821,098	685,337	546,372	309,157

## 13. ACCOUNTANTS' REPORT (Cont'd)



## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.24 Capital Commitments

	<----- As at 31 December ----->			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
<b>Authorised and contracted for</b>				
Purchase of property, plant and equipment	6,181,266	4,700,000	5,396,400	4,500,000

## 7.5.25 Capital Management

The Group manages its capital to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

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

Total capital is managed at Group level, which comprises shareholders' funds, cash and cash equivalents and bank borrowings.

	<----- As at 31 December ----->			As at 30
	2011	2012	2013	September
	RM	RM	RM	2014
				RM
Total loans and borrowings	2,068,704	4,413,707	4,127,391	3,640,092
Less: Cash and cash equivalents	(507,377)	(761,049)	(10,192,008)	(7,923,067)
Total net debts/ (Excess of cash and cash equivalents)	1,561,327	3,652,658	(6,064,617)	(4,282,975)
Total equity	17,953,010	25,111,468	48,458,064	52,191,751
Gearing ratio (%)	9%	15%	N/A	N/A

Gearing ratio is not applicable for the FYE 2013 and FPE 2014 as the cash and cash equivalents of the Group are sufficient to settle the outstanding debts.

There were no changes in the Group's approach to capital management during the financial years/period. The Group is not subject to any externally imposed capital requirements.

## 13. ACCOUNTANTS' REPORT (Cont'd)

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## 7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

## 7.5 Notes to the Financial Statements (Cont'd)

## 7.5.26 Comparative Figures

Certain comparative figures have been reclassified where necessary to conform with the current year presentation.

	As previously stated RM	Reclassification RM	As restated RM
<b>Statements of Comprehensive Income</b>			
<b>FYE 31 December 2011</b>			
Cost of sales	7,060,928	133,465	7,194,393
Administration expenses	<u>1,814,157</u>	<u>(133,465)</u>	<u>1,680,692</u>
<b>FYE 31 December 2012</b>			
Cost of sales	7,336,695	605,641	7,942,336
Administration expenses	<u>5,612,836</u>	<u>(605,641)</u>	<u>5,007,195</u>

## 7.5.27 Subsequent Events

There were no significant subsequent events between the date of the latest financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

Yours faithfully

UHY  
Firm Number: AF 1411  
Chartered Accountants

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



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

**UHY** (AF1411)  
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**Report on the Financial Statements**

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the financial year ended 31 December 2011 and of the Company for the financial period from 21 June 2011 (date of incorporation) to 31 December 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 60.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of the financial performance and cash flows of the Group for the financial year ended 31 December 2011 and of the financial performance and cash flows of the Company for the financial period from 21 June 2011 (date of incorporation) to 31 December 2011.

**Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have act as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

**Other Matters**

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

A handwritten signature in black ink, appearing to be 'Uhy', written over the printed text 'UHY'.

UHY  
Firm Number: AF 1411  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'TEE GUAN PIAN', written over the printed name.

TEE GUAN PIAN  
Approved Number: 1886/05/14 (J/PH)  
Chartered Accountant

KUALA LUMPUR

15 MAY 2012



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email [uhykl@uhy.com.my](mailto:uhykl@uhy.com.my)  
Web [www.uhy.com.my](http://www.uhy.com.my)

**Report on the Financial Statements**

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 67.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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





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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

**Other Matters**

- (1) As stated in Note 2(a) to the financial statements, Bioalpha Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 21 June 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 21 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.
- (2) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY  
Firm Number: AF 1411  
Chartered Accountants

LO KUAN CHE  
Approved Number: 3016/11/14 (J)  
Chartered Accountant

KUALA LUMPUR  
12 June 2013



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email [uhykl@uhy.com.my](mailto:uhykl@uhy.com.my)  
Web [www.uhy.com.my](http://www.uhy.com.my)

**Report on the Financial Statements**

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 74.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

**Other Matters**

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

A handwritten version of the UHY logo, written in black ink.

UHY  
Firm Number: AF 1411  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ng Wee Teik'.

NG WEE TEIK  
Approved Number: 1817/12/14 (J)  
Chartered Accountant

KUALA LUMPUR

4 June 2014



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

(Company No.: 949536-X)

(Incorporated in Malaysia)

**UHY (AF1411)**  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala LumpurPhone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email [uhykl@uhy.com.my](mailto:uhykl@uhy.com.my)  
Web [www.uhy.com.my](http://www.uhy.com.my)**Report on the Financial Statements**

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 30 September 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 68.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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



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

(Company No.: 949536-X)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the the Group and the Company as of 30 September 2014 and of its financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

This report is made solely for the proposed listing exercise of Bioalpha Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad, and accordingly, we do not assume responsibility to any other person for the content of this report.

UHY  
Firm Number: AF 1411  
Chartered Accountants

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

KUALA LUMPUR

11 FEB 2015

14. DIRECTORS' REPORT



Date: 16 MAR 2015

**Registered Office:**  
Suite 10.03, Level 10,  
The Gardens South Tower,  
Mid Valley City,  
Lingkaran Syed Putra,  
59200 Kuala Lumpur

**The shareholders of Bioalpha Holdings Berhad ("BHB" or "Company")**

Dear Sirs/Madams

On behalf of the Board of Directors of BHB, I report after due and careful enquiry that during the period from 30 September 2014 (being the date to which the last audited financial statements of our Company and subsidiary companies ("Group") have been made) up to the date of this letter (being a date not earlier than 14 days before the issuance of this Prospectus):

- (i) the business of our Group have, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in our books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no material contingent liabilities by reason of any guarantee or indemnities given by our Group;
- (v) since the last audited financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (vi) since the last audited financial statements of our Group, save as disclosed in the Accountants' Report enclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully  
For and on behalf of the Board of Directors  
**BIOALPHA HOLDINGS BERHAD**

A handwritten signature in black ink, appearing to be "HON TIAN KOK @ WILLIAM", written over a vertical line.

**HON TIAN KOK @ WILLIAM**

Managing Director/Chief Executive Officer

**BIOALPHA HOLDINGS BERHAD** (949536-X)

No.10, Jalan P/9A, Kawasan Perindustrian Bandar Baru Bangi, Seksyen 13, 43650, Bandar Baru Bangi, Selangor.

Tel : +603 8925 1222 Fax : +603 8922 2522 Website : [www.bioa.net](http://www.bioa.net)



## 15. STATUTORY AND OTHER GENERAL INFORMATION

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### 15.1 SHARE CAPITAL

- (i) No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
- (ii) As at the date of this Prospectus, we have only one (1) class of shares in our Company, namely ordinary shares of RM0.05 each, all of which rank equally with one another.
- (iii) Save as disclosed in this Prospectus, we have not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two (2) years preceding the date of this Prospectus.
- (iv) There is currently no scheme involving our Directors and employees in the share capital of our Company or any of our subsidiaries.
- (v) As at the date of this Prospectus, we have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.
- (vi) As at the date of this Prospectus, neither we nor our subsidiaries have any outstanding convertible debt securities, options, warrants or uncalled capital.
- (vii) Except as disclosed in this Prospectus, and save as provided under our Articles of Association (“Articles”) and the Act, there are no limitations on the right to own securities, including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

### 15.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from our Articles. The words and expressions appearing in the following provisions shall bear the same meanings used in our Articles.

#### (i) **Transfer of securities**

##### ***Article 30 – Transfer in writing***

*Subject to the provisions of these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of a deposited security) all transfer of shares shall be in writing in the form prescribed and approved by the Exchange, or such form as may from time to time, be prescribed under the Act or approved by the Exchange, or such relevant authorities of the stock exchanges on which the Company’s shares are listed. All transfers of deposited Securities shall be effected in accordance with the Rules.*

##### ***Article 31 – Transfer***

*The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Bursa Depository, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to section 107C(2) of the Act and any exemption that may be made from compliance with section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.*

**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)****Article 32 – Transmission of securities from Foreign Register**

Where:

- (a) the securities are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the register of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

**Article 33 – Restricted transferees**

Subject to these Articles, there shall be no restriction on the transfer of fully paid securities except where required by law. However, no shares shall in any circumstances be knowingly transferred to any infant, bankrupt or person of unsound mind. In the case of deposited securities, the Bursa Depository may refuse to register any transfer that does not comply with the Central Depository Act and the Rules.

**Article 34 – Suspension or closing of registration of instrument**

The Company may pursuant to Section 34 of the Central Depository Act and the Rules request for the Record of Depositors and in this connection, may request for the Record of Depositors as at a specific date. The Company shall give notice to the Bursa Depository to enable the Bursa Depository to prepare the appropriate Record of Depositors.

**Article 35 – Renunciation by allottee**

Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

**Article 36 – Company and Directors not liable for registering defective transfers**

Neither the Company nor the Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares by Members apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee be set aside, and notwithstanding that the Company may, have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee and/or particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereon.

**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)****(ii) Remuneration of Directors****Article 114 – Fees of Directors**

*The fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled to rank in such division for a proportion of the fees related to the period during which the Director has held office provided always that:*

- (1) Fees payable to non-executive Directors shall be by way of a fixed sum, and not by a commission on or a percentage of profits or turnover. Salaries payable to executive Directors may not include a commission on or percentage of turnover.*
- (2) The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meeting of the Company or in connection with the business of the Company.*
- (3) Any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*
- (4) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.*

**Article 115 – Re-imbusement of expenses**

- (1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.*
- (2) If by any arrangement with the Directors, any Directors shall perform or render any special duties or services outside his ordinary duties as a Director, in particular without limiting the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special excursions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member or a committee of Directors, the Directors may pay him extra remuneration, in addition to his Director's fees.*

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**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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**(iii) Voting and borrowing powers of Directors**

***Article 118 – General powers of company vested in Directors and exception and sale/disposal of assets by Directors***

- (1) The business of the Company shall be managed by the Directors who may exercise all such powers of the Company, and to do on behalf of the Company all such acts as are within the scope of the Memorandum and Articles of Association of the Company and as are not, by the Act or by these Articles, required to be exercised by the Company in general meeting, subject, nevertheless, to any of these Articles, to the provisions of the Act and to such regulations, being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in general meeting; but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.*
- (2) Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to approval by shareholders in general meeting.*

***Article 119 – Power of Directors to borrow and issue debenture***

- (1) The Directors may exercise all the powers of the Company to borrow money or to mortgage or charge its undertaking, property, uncalled capital, or any part thereof, or to issue debentures and other securities whether outright or as security for any debts, liability or obligation of the Company or any related third party subject to the requirements of law including but not limited to the provisions of the Act and the Listing Requirements.*
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*
- (3) The Directors shall cause a proper register to be kept in accordance with Section 115 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 108 of the Act in regard to the registration of mortgages and charges thereon and otherwise.*

***Article 120 – Branch registers***

*The Directors may exercise all the powers of the Company in relation to any official seal for the use outside Malaysia and in relation to branch registers.*

***Article 133 – Restriction on voting***

*Every Director shall comply with Section 131 and 135 of the Act and who is personally interested directly or indirectly in any contract or arrangement or proposed contract or arrangement with the Company shall declare his interest to the Board of Directors as soon as he becomes aware of such contract or arrangement and such Director shall not participate in deliberations concerning such contract or arrangement nor shall he cast his vote in respect of any matter arising therefrom.*

**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)*****Article 134 – Power to vote in some instances***

*A Director may vote in respect of:*

- (1) *any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or*
- (2) *any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the company for which the Director himself or any other Director has assumed responsibility in whole or part under a guarantee or indemnity or by a deposit of a security.*

***Article 135 – Director notwithstanding his interest may be counted in quorum***

*A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold office or place of profit under any other company whereat the terms of such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement which he is in any way interested provided always that he has complied with Section 131 and all other relevant provision of the Act and these Articles.*

**(iv) Changes in capital and variations of class rights*****Article 55 – Repayment preference shares by special resolution***

*The repayment of any preference share capital other than redeemable preference capital, or any other alteration of preference shareholders' rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at a meeting.*

***Article 56 – Variation of class rights***

*If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meeting shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply.*

***Article 57 – No variation of class rights by issuance of new shares***

*The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.*

**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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***Article 58 – Power to increase capital***

*The Company may from time to time by ordinary resolution increase the share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase shall prescribe.*

***Article 59 – New shares subject to provisions herein***

*Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company. All new shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmissions, forfeitures, lien or otherwise and shall also be subject to the Rules.*

***Article 60 – Power to cancel, divide, consolidate shares***

*The Company may by ordinary resolution from time to time:*

- (1) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or*
- (2) Sub-divide its existing shares, or any of them into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of the Act, and so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case if the shares from which the reduced share is derived. Any resolution whereby any share is sub-divided may determine that, as between the resulting shares, one or more of such shares may by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, capital, voting or otherwise over the others or any other of such shares; or*
- (3) Cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.*

***Article 61 – Power to reduce share capital***

*The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner authorised and subject to any conditions prescribed by the Act.*

**15.3 GENERAL INFORMATION**

- (i) Save as disclosed in Section 3.7 of this Prospectus, no commissions, discounts, brokerages or other special terms have been paid or is payable by our Company within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares in or debentures of our Company and in connection with the issue or sale of any capital of our Company and no Director or Promoter or expert is or are entitled to receive any such payment or any other benefits.

**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

- (ii) During the last financial year and the current financial period up to the date of this Prospectus, there were no:
  - (a) public take-over offers by third parties in respect of our Shares; and
  - (b) public take-over offers by us in respect of other companies' securities.
- (iii) Save as disclosed in Section 8.1 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercise control over us.

**15.4 MATERIAL CONTRACTS**

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by our Group within the two (2) years preceding the date of this Prospectus:

- (i) Fund Agreement (CRDF) dated 14 June 2013 entered into between MTDC and BRSB, whereby MTDC will make available funding of RM2,753,100 to BRSB for the commercialization of polysaccharides extracted and functional food/drinks from Tiger Milk Mushroom;
- (ii) Subscription agreement dated 11 September 2013 entered into between PNS, our Company, Dato' Seri Syed Zainal and William Hon, whereby PNS agreed to subscribe 105,387,077 new Shares at a price of RM0.156 each. As at the LPD, the subscription has been completed;
- (iii) Letter of appointment and commercial agreement both dated 7 April 2014 between ECERDC, our Company, BISB, and BECA (collectively referred to as "**Anchor Company**"), whereby the Anchor Company has been appointed by ECERDC to invest, develop and commercially manage Pasir Raja Land;
- (iv) Sub-lease agreement dated 30 January 2015 entered into between ECERDC and the Anchor Company, whereby ECERDC has agreed to grant a sub-lease of 123.5 acres of Pasir Raja Land to the Anchor Company, further details of which are set out in Section 6.16.1 of this Prospectus; and
- (v) Underwriting Agreement dated 3 March 2015 between our Company and Kenanga IB for the underwriting of up to 20,000,000 IPO Shares for an underwriting commission of 2.0% of the total value of the underwritten Shares at the IPO Price.

**15.5 MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

MCI Bio-Tech Sdn Bhd ("**Plaintiff**") had brought a suit against BISB for alleged breach of contract arising from its or its agent's failure to deliver the Plaintiff's goods to an exhibition in China sometime at the end of 2011.

In defence against the suit, BISB contends that the delivery of goods was agreed to be ex-factory and the delivery of the goods to China was a matter between the Plaintiff and its forwarding agent. BISB also counter claimed for outstanding payment due from the Plaintiff for manufacturing the said goods.

The Plaintiff is claiming for RM180,000 as special damages, RM500,000 as loss of profits, and unspecified amount of general/aggravated damages, as well as costs of the action. BISB is counterclaiming for RM55,387.50 as special damages, unspecified general damages and costs.

## 15. STATUTORY AND OTHER GENERAL INFORMATION (*Cont'd*)

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The High Court had, on 11 September 2014, dismissed the Plaintiff's claim and allowed BISB's counterclaims as follows:

- (i) a sum of RM55,387.50 being the amount owing to BISB for goods provided;
- (ii) interest at the rate of 5% per annum on the judgment sum from 25 November 2011 until full and final settlement; and
- (iii) cost of RM20,000.

The Plaintiff has filed an appeal against the said judgment and the hearing date for the appeal has been fixed on 23 March 2015 by the court.

Premised on the evidence adduced by the parties, our solicitors are of the opinion that the likelihood of BISB successfully defending the said suit and obtaining its counterclaim is good.

Save as disclosed above, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect our financial and/or business position as at the LPD.

### 15.6 CONSENTS

The written consents of our Adviser, Sponsor, Underwriter and Placement Agent, Company Secretaries, Legal Adviser, Principal Banker, Issuing House and Share Registrar to the inclusion of their names in the form and context in which their names appear in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion of its name, Reporting Accountants' Letter on Pro Forma Consolidated Financial Information, Accountants' Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher to the inclusion of its name, the Executive Summary of the Independent Market Research Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

### 15.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours (except public holidays) for a period of twelve (12) months from the date of this Prospectus:

- (a) Our Memorandum and Articles of Association;
- (b) Material contracts as referred to in Section 15.4 of this Prospectus;
- (c) Writ and relevant cause papers in relation to the material litigation as stated in Section 15.5 of this Prospectus;
- (d) Reporting Accountants' Letter on Pro forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus;
- (e) Accountants' Report as set out in Section 13 of this Prospectus;



**15. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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- (f) Independent Market Research Report referred to in this Prospectus and the Executive Summary thereof as included in Section 7 of this Prospectus;
- (g) Directors' Report as included in Section 14 of this Prospectus;
- (h) Audited financial statements our Company, BISB, BRSB, BDSB, BASB, BJHSB and Alphacare for the past three (3) FYE 31 December 2011 to 2013 and FPE 30 September 2014; and
- (i) Letters of consent as referred to in Section 15.6 of this Prospectus.

**15.8 RESPONSIBILITY STATEMENTS**

Our Directors and Promoters 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 are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

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.

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**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE****16.1 OPENING AND CLOSING OF APPLICATION**

Applications for our IPO will open at 10.00 a.m. on 26 March 2015 and will remain open until 5.00 p.m. on 2 April 2015 or such later date or dates as our Board, together with Kenanga IB, may mutually decide at their absolute discretion. We will advertise 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.**

**16.2 ELIGIBILITY**

You can only apply for our IPO Shares if you fulfil **all** of the following:

- (i) You must have a CDS Account. If you do not have a CDS Account, you may open one by contacting any of the ADAs listed in Section 17 of this Prospectus,
- (ii) You must be **one** of the following:
  - (a) a Malaysian citizen or a foreign citizen with a Malaysian address who is at least 18 years old as at the closing date of the application; or
  - (b) a corporation/institution incorporated in Malaysia or outside Malaysia with a Malaysian address ; or
  - (c) a superannuation, co-operative, foundation, provident or pension fund established or operating in Malaysia.

**We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/institutions referred to in (b) or (c) above.**

- (iii) You are not a director or employee of our Issuing House or their immediate family members.

**16.3 CATEGORY OF INVESTORS AND METHODS OF APPLICATION**

The IPO Shares are made available by us for subscription as follows:

<b>IPO</b>	<b>No. of IPO Shares to be allotted</b>
(i) Public Tranche	20,000,000
(ii) Placement Tranche	80,000,000
<b>Total</b>	<b>100,000,000</b>

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

Application for our IPO Shares must be made using the method designated for each of the three (3) categories of investors as follows:

<b>Category of Investor</b>	<b>Application Method</b>
Public (for individuals including foreigners)	White Application Form or Electronic Share Application <sup>(1)</sup> or Internet Share Application <sup>(2)</sup>
Public (for non-individuals, e.g. corporations, institutions, etc.)	White Application Form
Selected investors via private placement	Separate letters/forms delivered to the respective investors

*Notes:*

(1) *The following processing fee per Electronic Share Application will be charged by the respective Electronic Participating Financial Institutions:*

- *Affin Bank Berhad – No fee will be charged for application by their account holders;*
- *AmBank (M) Berhad – RM1.00;*
- *CIMB Bank Berhad – RM2.50;*
- *HSBC Bank Malaysia Berhad – RM2.50;*
- *Malayan Banking Berhad – RM1.00;*
- *Public Bank Berhad – RM2.00;*
- *RHB Bank Berhad – RM2.50; or*
- *Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.*

(2) *The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institutions:*

- *Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders;*
- *Affin Hwang Investment Bank Berhad (trade.affinhwang.com) – No fee will be charged for Application by their account holders;*
- *CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;*
- *CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;*
- *Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;*
- *Public Bank Berhad (www.pbebank.com) – RM2.00; or*
- *RHB Bank Berhad (www.rhb.com.my) – RM2.50.*

## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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### 16.4 PROCEDURES FOR APPLICATION

Only one (1) application from each applicant will be considered and an application must be for at least 100 Shares or multiples thereof. **Multiple applications will not be accepted.** If you submit multiple applications in your own name or by using the name of others, with or without their consent, you commit an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1 million and a jail term of up to 10 years under Section 182 of the CMSA.

#### 16.4.1 Procedures for application by way of an Application Form

The Public, the selected investors and other investors should follow the following procedures in making an application:

##### **Step 1: Obtain application documents**

Obtain the Application Form together with the Official 'A' and 'B' envelopes and this Prospectus. These documents can be obtained subject to availability from the following parties:

- (i) Kenanga IB;
- (ii) participating organisations of Bursa Securities;
- (iii) members of the Association of Banks in Malaysia;
- (iv) members of the Malaysian Investment Banking Association; and
- (v) our Issuing House.

##### **Step 2: Read this Prospectus**

In accordance with Section 232(2) of the CMSA, the Application Form is accompanied by this Prospectus. You are advised to read and understand this Prospectus before making your application.

##### **Step 3: Complete the Application Form**

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in this Prospectus.

##### **(i) Personal particulars**

You must ensure that your personal particulars submitted in your application are identical with the records maintained by Bursa Depository. Please inform Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card ("NRIC") number or passport number must be the same as that stated in:

- (a) your NRIC/passport;
- (b) any valid temporary identity document issued by the National Registration Department from time to time; or
- (c) your 'Resit Pengenaln Sementara (KPPK 09)' issued pursuant to Peraturan 5(5), Peraturan-peraturan Pendaftaran Negara 1990.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be the same as that stated in your authority card.

If you are a corporation/institution, your name and incorporation number must be the same as that stated in your certificate of incorporation.

(ii) **CDS account number**

You must state your CDS account number in the space provided in the Application Form. Invalid, nominee or third party CDS accounts will **not** be accepted.

(iii) **Details of payment**

You must state the details of your payment in the appropriate boxes provided in the Application Form.

(iv) **Number of Shares applied**

Your application must be for at least 100 Shares or multiples thereof.

**Step 4: Prepare appropriate form of payment**

Prepare the correct form of payment in RM for the FULL amount payable for our IPO Shares based on the IPO Price.

Payment must be made in favour of '**MIH SHARE ISSUE ACCOUNT NO. 562**' and crossed '**A/C PAYEE ONLY**' and endorsed on the reverse side with your name and address. We only accept the following forms of payment:

- (i) banker's draft or cashier's order purchased within Malaysia only and drawn on a bank in Kuala Lumpur; or
- (ii) money order or postal order (for applicants from Sabah and Sarawak only); or
- (iii) Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad.

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

**Step 5: Finalise application**

Insert the Application Form with the appropriate payment and a legible photocopy of your identification document (NRIC/passport/valid temporary identity document issued by the National Registration Department/'Resit Pengenalan Sementara (KPPK 09)'/authority card/certificate of incorporation) into the Official 'A' envelope and seal it. Write your name and address on the outside of the Official 'A' and 'B' envelopes. The name and address written must be identical to your name and address as per your NRIC/passport/valid temporary identity document issued by the National Registration Department/'Resit Pengenalan Sementara (KPPK 09)'/authority card/certificate of incorporation. Affix a stamp on the Official 'A' envelope and insert the Official 'A' envelope into the Official 'B' envelope.

## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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### Step 6: Submit application

You can submit your application in the Official 'B' envelope by either one (1) of the following methods:

- (i) despatch by **ORDINARY POST** to:

Malaysian Issuing House Sdn Bhd (258345-X)  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor

Or

P.O. Box 8269  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya  
Selangor

- (ii) **DELIVERY BY HAND** and deposit in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor,

so as to arrive not later than 5.00 p.m. on 2 April 2015 or such later date or dates as our Board, together with Kenanga IB, may mutually decide at their absolute discretion.

No acknowledgement of receipt of Application Form or application monies will be made.

### 16.4.2 Procedures for application by way of an Electronic Share Application (for individual Malaysian Public only)

Applications for our IPO Shares by way of ESA are only applicable to Malaysian Public who are individuals. Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for ESA and the procedures set out on the ATM screens of the Electronic Participating Financial Institution before making an ESA.

- (i) **Steps for Electronic Share Application through an Electronic Participating Financial Institution's ATM**

You may apply for our IPO Shares via the ATM of the Electronic Participating Financial Institution by choosing the ESA option. Mandatory statements required for the application are set out in Section 16.4.3 below. You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your ESA require you to do so:

- Personal Identification Number ("PIN");
- **MIH Share Issue Account Number 562;**
- CDS account number;
- Number of IPO Shares applied for and/or the RM amount to be debited from the account; and
- Confirmation of several mandatory statements.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)****(ii) Electronic Participating Financial Institutions**

ESA may be made through an ATM of the following Electronic Participating Financial Institutions and their branches:

- Affin Bank Berhad; or
- AmBank (M) Berhad; or
- CIMB Bank Berhad; or
- HSBC Bank Malaysia Berhad; or
- Malayan Banking Berhad; or
- Public Bank Berhad; or
- RHB Bank Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

**16.4.3 Terms and conditions of Electronic Share Applications**

The procedures for ESA are set out on the ATM screens of the relevant Electronic Participating Financial Institutions (“Steps”). For illustration purposes, the procedures for ESA at the ATMs are set out in Section 16.4.2(i) above. The Steps set out the actions that you must take at the ATM to complete an ESA. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for ESA set out below before making an ESA.

You must have a CDS account to be eligible to utilise the facility. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted. You must have an existing account with, and be an ATM cardholder of, one of the Participating Financial Institutions before you can make an ESA. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your ESA transaction, you will receive a computer-generated transaction slip (“**Transaction Record**”) confirming the details of your ESA. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the ESA or any data relating to such an ESA by our Company or our Issuing House. You must retain the Transaction Record and should not submit the Transaction Record with any Application Form.

Upon the closing for the application for our IPO Shares on 2 April 2015 at 5.00 p.m. or such later date or dates as our Board, together with Kenanga IB, may mutually decide at their absolute discretion (“**Closing Date and Time**”), the Electronic Participating Financial Institutions shall submit magnetic tapes containing their respective customers’ applications for our IPO Shares to our Issuing House as soon as practicable but not later than 12.00 p.m. of the 2<sup>nd</sup> business day after the Closing Date and Time.

You are allowed to make an ESA for our IPO Shares via an ATM that accepts the ATM cards of the Electronic Participating Financial Institution with which you have an account at one of its branches, subject to you making only one application.

**You must ensure that you use your own CDS account number when making an ESA. If you have a joint account with any Electronic Participating Financial Institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the foregoing.**

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

The ESA shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The ESA shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (ii) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given are true and correct:
  - You have attained 18 years of age as at the closing date of the share application;
  - You are a Malaysian citizen residing in Malaysia;
  - You have read this Prospectus and understood and agreed with the terms and conditions of this application;
  - This is the only application that you are submitting; and
  - You hereby give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to you and your account with the Participating Financial Institution and Bursa Depository to our Issuing House or other relevant regulatory bodies.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Electronic Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 133 of the Financial Services Act, 2013 and Section 45 of the Depositories Act to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to our Issuing House, or any relevant regulatory bodies.

- (iii) You confirm that you are not applying for our IPO Shares as a nominee of any other person and that any ESA that you make is made by you as the beneficial owner. You shall only make one ESA and shall not make any other application for our IPO Shares, whether at the ATMs of any Participating Financial Institution or on the prescribed Application Forms.
- (iv) You must have sufficient funds in your account with the relevant Electronic Participating Financial Institution at the time you make your ESA, failing which your ESA will not be completed. Any ESA, which does not conform strictly to the instructions set out on the screens of the ATM through which the ESA is made will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your ESA. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your ESA is successful, your confirmation (by your action of pressing the designated key on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.
- (vi) Our Issuing House, on the authority of our Board, reserves the right to reject any ESA or accept any ESA in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (vii) If your ESA is not accepted or accepted in part only, the relevant Electronic Participating Financial Institution will be informed of the non-successful or partially successful application within two (2) Market Days after the balloting date. If your ESA is not successful, the relevant Electronic Participating Financial Institution will credit the full amount of the application monies without interest into your account with that Electronic Participating Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House. You may check your account on the fifth (5<sup>th</sup>) Market Day from the balloting date.

If your ESA is accepted in part only, the relevant Electronic Participating Financial Institution will credit the balance of the application monies without interest into your account with that Electronic Participating Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to you by our Issuing House by crediting into your account with the Electronic Participating Financial Institution within ten (10) Market Days from the date of the final ballot.

For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the relevant Electronic Participating Financial Institution will credit the application monies or any part thereof without interest into your account with that Electronic Participating Financial Institution within two (2) Market Days after receipt of confirmation from our Issuing House.

Except where our Issuing House is required to refund the application monies, it is the sole responsibility of the Electronic Participating Financial Institution to ensure the timely refund of the application monies from unsuccessful or partially successful ESA. Therefore, you are strongly advised to consult the Electronic Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of your ESA in order to determine the status or exact number of IPO Shares allotted or allocated, if any, before trading of our Shares on Bursa Securities.

- (viii) You request and authorise us:
- (a) to credit our IPO Shares allotted or allocated to you into your CDS account; and
  - (b) to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (ix) You acknowledge that your ESA is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control, our Issuing House or the Electronic Participating Financial Institution and irrevocably agree that if:
- (a) our Company or our Issuing House did not receive your ESA; and
  - (b) data relating to your ESA is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or Issuing House,

you shall be deemed not to have made an ESA and you shall not claim whatsoever against our Company, our Issuing House or the Electronic Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.

- (x) All your particulars in the records of the relevant Electronic Participating Financial Institution at the time you make your ESA shall be deemed to be true and correct and we, our Issuing House and the relevant Electronic Participating Financial Institution shall be entitled to rely on the accuracy thereof.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (xi) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Electronic Participating Financial Institution are correct and identical. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (xii) By making and completing an ESA, you agree that:
  - (a) in consideration of our Company agreeing to allow and accept the making of any application for our IPO Shares via the ESA facility established by the Electronic Participating Financial Institutions at their respective ATMs, your ESA is irrevocable;
  - (b) our Company, the Electronic Participating Financial Institutions, Bursa Depository and our Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your ESA due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/their control;
  - (c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our IPO Shares for which your ESA has been successfully completed shall be constituted by the issue of notices of successful allocation for prescribed securities, in respect of the said IPO Shares;
  - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of our IPO Shares allocated to you; and
  - (e) we agree that in relation to any legal action or proceedings arising out of or in relation with the contract between the parties and/or the ESA scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that we irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xiii) If you are successful in your ESA, our Board reserves the right to require you to appear in person at the registered office of our Issuing House within 14 days from the date of the notice issued to you to ascertain your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (xiv) Our Issuing House, on the authority of our Board, reserves the right to reject any application which does not conform to these instructions.

**16.4.4 Procedures for application by way of an Internet Share Application (for individual Malaysian Public only)**

The exact steps for ISA in respect of our IPO Shares are as set out on the Internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, the steps for an application for our IPO Shares via ISA may be as set out below. The steps set out the actions that you must take at the Internet financial services website of the Internet Participating Financial Institution to complete an ISA.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

**PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.**

- (i) Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account.
- (ii) Login to the Internet financial services facility by entering your user identification and PIN/password.
- (iii) Navigate to the section of the website on applications in respect of IPO.
- (iv) Select the counter in respect of our IPO Shares to launch the Electronic Prospectus and the terms and conditions of the ISA.
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (vi) At the next screen, complete the online application form.
- (vii) Check that the information contained in the online application form such as the share counter, NRIC number, CDS account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (viii) By confirming such information, you also undertake that the following information given are true and correct:
  - you have attained 18 years of age as at the closing date of the share application;
  - you are a Malaysian citizen residing in Malaysia;
  - you have, prior to making the ISA, received and/or has had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;
  - you agree to all the terms and conditions of the ISA as set out in this Prospectus and have carefully considered the risk factors as set out in this Prospectus, in addition to all other information contained in this Prospectus before making the ISA for our IPO Shares;
  - the ISA is the only application that you are submitting for our IPO Shares;
  - you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares to your account with the Internet Participating Financial Institution or Authorised Financial Institution;
  - you give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 133 of the Financial Services Act, 2013 and Section 45 of the Depositories Act, to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the ISA made by you or your account with the Internet Participating Financial Institution, to our Issuing House, and the Authorised Financial Institution, the SC and any other relevant authority;

## 16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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- you are not applying for our IPO Shares as a nominee of any other person and the application is made in your own name, as the beneficial owner and subject to the risks referred to in this prospectus; and
  - you authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the ISA services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the ISA services.
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for our IPO.
- (x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application money is being made.
- (xi) Subsequent to the above, the Internet Participating Financial Institution shall confirm the ISA has been completed, via the Confirmation Screen on its website.
- (xii) You are advised to print out the Confirmation Screen for your reference and retention.

### 16.4.5 Terms and Conditions for Internet Share Applications

Applications for our IPO Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

ISA may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:

- (i) Affin Bank Berhad at [www.affinOnline.com](http://www.affinOnline.com) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- (ii) Affin Hwang Investment Bank Berhad at [trade.affinhwang.com](http://trade.affinhwang.com) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- (iii) CIMB Bank Berhad at [www.cimbclicks.com.my](http://www.cimbclicks.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- (iv) CIMB Investment Bank Berhad at [www.eipocimb.com](http://www.eipocimb.com); or
- (v) Malayan Banking Berhad at [www.maybank2u.com.my](http://www.maybank2u.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or
- (vi) Public Bank Berhad at [www.pbebank.com](http://www.pbebank.com) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)); or

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (vii) RHB Bank Berhad at [www.rhb.com.my](http://www.rhb.com.my) (via hyperlink to Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)).

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR ISA SET OUT HEREIN AND THE STEPS FOR ISA SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN ISA.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR ISA IN RESPECT OF OUR IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR ISA CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An ISA shall be made on and shall be subject to the terms and conditions as set out herein:

- (i) In order to make an ISA, you must:
- be an individual with a CDS account and in the case of a joint account, an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of the CDS account registered in your joint account holder's name;
  - have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification ("User ID") and PIN/password for the relevant Internet financial services facilities; and
  - be a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An ISA shall be made on and shall be subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (iii) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the ISA which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website which confirms that the ISA has been completed and states the details of your ISA, including the number of IPO Shares applied for which can be printed out by you for your records.

Upon display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 16.4.5(i) of this Prospectus.

- (iv) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the ISA, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the ISA will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any ISA which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the ISA is made shall be rejected.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (v) You agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted to you in respect of the ISA. In the event that we decide to allot any lesser number of such IPO Shares or not to allot any IPO Shares to you, you agree to accept our decision as final.

In the course of completing the ISA on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and be treated as:

- your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your ISA is successful or successful in part, as the case may be; and
- your agreement to be bound by our Memorandum and Articles of Association.

- (vi) You fully aware that multiple or suspected multiple ISA for our IPO Shares will be rejected. Our Issuing House, on the authority of our Board, reserves the right to reject any ISA or accept any ISA in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view of establishing a liquid and adequate market for our Shares.

- (vii) If your ISA is unsuccessful or successful in part only, the relevant Internet Participating Financial Institution will be informed of the unsuccessful or partially successful application within two (2) Market Days from the balloting date. Where an Internet Share Application is unsuccessful, the Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies without interest into your account with that Internet Participating Financial Institution or Authorised Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House.

If your ISA is accepted in part only, the relevant Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the balance of the application monies without interest into your account with that Internet Participating Financial Institution or Authorised Financial Institution within two (2) Market Days after receipt of confirmation from our Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications that are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to you by our Issuing House by crediting into your account with the relevant Internet Participating Financial Institution or Authorised Financial Institutions within ten (10) Market Days from the date of the final ballot, at your own risk.

For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the relevant Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the application monies or any part thereof without interest into your account with that Internet Participating Financial Institution or Authorised Financial Institution within ten (10) Market Days from the date of final ballot.

Except where our Issuing House is required to refund the application monies, it is the sole responsibility of the Internet Participating Financial Institution or Authorised Financial Institution to ensure the timely refund of the application monies from unsuccessful or partially successful ISA. Therefore, you are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of your ISA in order to determine the status or exact number of IPO Shares allotted or allocated, if any, before trading of our Shares on Bursa Securities.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (viii) ISA for our IPO shares will close at 5.00 p.m on 2 April 2015 or such later date or dates as our Board, together with Kenanga IB, may mutually decide at their absolute discretion. An ISA is deemed to be received only upon its completion, that is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late ISA will not be accepted.
- (ix) You irrevocably agree and acknowledge that the ISA is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control and the control of our Issuing House, the Internet Participating Financial Institution or the Authorised Financial Institution. If, in any such event, we, our Issuing House and/or the Internet Participating Financial Institution do not receive your ISA and/or the payment therefor, or in the event that any data relating to the ISA or the tape or any other devices containing such data is lost, corrupted or destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an ISA and you shall have no claim whatsoever against us, our Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution in relation to our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (x) All your particulars in the records of the relevant Internet Participating Financial Institution at the time you make your ISA shall be deemed to be true and correct, and we, our Issuing House, the Internet Participating Financial Institution and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical, otherwise your ISA is liable to be rejected. The notification letter on successful allotment or allocation will be sent to your address last registered with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

- (xi) By making and completing an ISA, you are deemed to have agreed that:
- in consideration of us making available the ISA facility to you, through the Internet Participating Financial Institution acting as our agent, your ISA is irrevocable;
  - you have irrevocably requested and authorised us to register our IPO Shares allotted or allocated to you for deposit into your CDS Account;
  - neither us nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to your ISA to our Issuing House or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 16.4.5(ix) of this Prospectus or to any cause beyond their control;
  - you shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your ISA by our Issuing House, us and/or the Internet Participating Financial Institution for reasons of multiple applications, suspected multiple applications, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;

## **16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- the acceptance of your offer made to subscribe for our IPO Shares for which your ISA has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;
- you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your ISA;
- in making the ISA, you have relied solely on the information contained in this Prospectus. We, Kenanga IB and any other person involved in our IPO shall not be liable for any information not contained in this Prospectus which you may have relied on in making the ISA; and
- the acceptance of your ISA and the contract resulting therefrom from our IPO shall be governed by and construed in accordance with the laws of Malaysia, and you irrevocably submits to the jurisdiction of the courts of Malaysia.

### **16.5 AUTHORITY OF OUR BOARD AND ISSUING HOUSE**

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House within fourteen (14) days from the date of the notice issued to you to ascertain your application is genuine and valid. Our Board is not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

You will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

Our Issuing House, on the authority of our Board, reserves the right to:

- (i) reject applications which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason; and
- (iii) bank in all application monies from unsuccessful / partially successful applicants which would subsequently be refunded without interest by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post/registered post if you have not provided such bank account information to Bursa Depository.

### **16.6 OVER/UNDER SUBSCRIPTION**

In the event of an over-subscription, our Issuing House will conduct a ballot in a manner as approved by our Board to determine acceptance of applications. In determining the manner of balloting, our Board will consider the desirability of distributing our IPO Shares in a fair and equitable manner to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up share capital to be held by a minimum number of 200 public shareholders holding not less than 100 Shares each upon our Listing and completion of this IPO. We expect to achieve this at the point of our Listing. However, in the event that the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.



**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

In the event of an under-subscription for our IPO shares reserved for application by the Public, subject to reallocation as set out in Section 3.1(i) of this Prospectus, all such IPO Shares not applied for will be subscribed by our Underwriter pursuant to the Underwriting Agreement.

Our IPO shares reserved for subscription by selected investors will not be underwritten.

Where your successfully balloted application made under White Application Form is subsequently rejected, the full amount of your application monies will be refunded without interest to you within ten (10) Market Days from the date of the final ballot by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post to your address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

Where your successfully balloted application under the ESA or ISA is subsequently rejected, the full amount of your application monies will be refunded without interest to you by crediting into your account with the Electronic Participating Financial Institution or Internet Participating Financial Institution respectively.

**16.7 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/partially successful in your application, we will return your application monies without interest in the following manner:

**16.7.1 For applications by way of Application Form**

- (i) The application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official 'A' envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post/registered post (for partially successful application) within ten (10) Market Days from the date of the final ballot if you have not provided such bank account information to Bursa Depository.
- (ii) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to the address stated in the NRIC or 'Resit Pengenaln Sementara (KPPK 09)' or any valid temporary identity document issued by the National Registration Department from time to time at your own risk.
- (iii) Our Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post/registered post to your address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

**16.7.2 For applications by way of Electronic Share Application and Internet Share Application**

- (i) Our Issuing House shall inform the Electronic Participating Financial Institutions/Internet Participating Financial Institution of the non-successful or partially successful applications within two (2) Market Days after the balloting date. The application monies or the balance of it will be credited into your account with the Electronic Participating Financial Institution/Internet Participating Financial Institution/Authorised Financial Institution without interest within two (2) Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the fifth (5<sup>th</sup>) Market Day from the balloting date.

## **16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by our Issuing House by crediting into your account with the Electronic Participating Financial Institution/Internet Participating Financial Institution/Authorised Financial Institution within ten (10) Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the relevant Electronic Participating Financial Institution/Internet Participating Financial Institution will arrange for a refund of the application monies (or part thereof) without interest by crediting into your account with the Electronic Participating Financial Institution/Internet Participating Financial Institution/Authorised Financial Institution within two (2) Market Days after the receipt of confirmation from our Issuing House.

### **16.8 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (i) our Shares allocated to you will be credited into your CDS account. We will not be issuing any share certificates to you.; and
- (ii) a notice of allotment will be despatched to you at the address last maintained with Bursa Depository where you have an existing CDS account at your own risk prior to our Listing. This is your only acknowledgement of acceptance of your application.

### **16.9 CDS ACCOUNTS**

Pursuant to Section 14(1) of the Depositories Act, Bursa Securities has prescribed our IPO Shares as "Prescribed Securities". Therefore, our IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and Rules of Bursa Depository.

Pursuant to Section 29 of the Depositories Act, all dealings in our Shares, including our IPO Shares, will be by book entries through CDS accounts. No share certificates will be issued but notices of allotment or transfer shall be despatched.

You must have a CDS account when applying for our IPO Shares. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for our IPO Shares.

In the case of an application by way of Application Form, you should state your CDS account number in the space provided on the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS account to our Issuing House or our Company.

In the case of an application by way of ESA, you shall furnish your CDS account number to the Electronic Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM screen require you to do so.

In the case of an application by way of ISA, you can only make an ISA if you have a CDS account. In certain cases, you can only make an ISA if you have a CDS account opened with the Internet Participating Financial Institution. Arising therewith, your CDS account number would automatically appear in the ISA online application form.

**16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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Failure to comply with these specific instructions or inaccuracy in the CDS account number, arising from use of invalid, third party or nominee accounts, may result in your application being rejected. If a successful applicant fails to state his/her CDS account number, our Issuing House, on the authority of our Board, will reject the application. Our Issuing House, on the authority of our Board, also reserves the right to reject any incomplete and/or inaccurate application. Applications may also be rejected if the applicants' particulars provided in the Application Forms, or in the case of ESA or ISA, if the records of the Electronic Participating Financial Institutions/Internet Participating Financial Institutions, at the time of making the ESA or ISA, differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

**16.10 ENQUIRIES**

You may contact our Issuing House if you have any queries on the White Application Form at (603) 7841 8000 or (603) 7841 8289. If you have any enquiry with regards to your ESA or ISA, you may refer to the relevant Participating Financial Institution/Internet Participating Financial Institution.

You may check the status of your application by calling our Issuing House at (603) 7841 8000 or (603) 7841 8289 or your ADA at the telephone number as stated in Section 17 of this Prospectus between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

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**17. LIST OF ADAS**

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
<b>KUALA LUMPUR</b>			
AFFIN HWANG INVESTMENT BANK BERHAD 2 <sup>nd</sup> Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009	AFFIN HWANG INVESTMENT BANK BERHAD No. 57-10 Level 10 The Boulevard, Mid Valley City Lingkaran Syed Putra 59000 Kuala Lumpur Tel No.: 03-2287 2273	068-017
AFFIN HWANG INVESTMENT BANK BERHAD Ground Mezzanine & 3 <sup>rd</sup> Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	068-018	AFFIN HWANG INVESTMENT BANK BERHAD No. 38A & 40A Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur Tel No.: 03-9130 8803	068-021
ALLIANCE INVESTMENT BANK BERHAD 17 <sup>th</sup> Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2604 6333	076-001	AMINVESTMENT BANK BERHAD 15 <sup>th</sup> Floor Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2036 2633	086-001
BIMB SECURITIES SDN BHD 32 <sup>nd</sup> Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2691 8887	024-001	CIMB INVESTMENT BANK BERHAD Level 17, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel No.: 03-2261 8888	065-001
FA SECURITIES SDN BHD A-10-17 A-10-1 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No.: 03-2288 1676	021-002	HONG LEONG INVESTMENT BANK BERHAD Level 7, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2168 1168	066-001
HONG LEONG INVESTMENT BANK BERHAD Level 18 Menara Raja Laut 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No.: 03-2691 0200	066-006	INTER-PACIFIC SECURITIES SDN BHD West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003	INTER-PACIFIC SECURITIES SDN BHD No. 33-1 (First Floor) Jalan Radin Bagus Bandar Seri Petaling 57000, Kuala Lumpur Tel No.: 03-9056 2921	054-005

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
JUPITER SECURITIES SDN BHD Level 8 & 9, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2034 1888	055-001	KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD 11 <sup>th</sup> - 14 <sup>th</sup> Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2168 8800	053-001
KENANGA INVESTMENT BANK BERHAD Level 8 Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2164 9080	073-001	KENANGA INVESTMENT BANK BERHAD M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4297 8806	073-020
KENANGA INVESTMENT BANK BERHAD Ground Mezzanine, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor (West & Center Wing) & 1 <sup>st</sup> Floor East Wing Bangunan ECM Libra 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2089 2888	073-021	KENANGA INVESTMENT BANK BERHAD 1 <sup>st</sup> Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2178 1133	073-029
M & A SECURITIES SDN BHD Level 1-3, No. 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002	M & A SECURITIES SDN BHD 22A & 22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel No.: 03-7983 9890	057-004
MAYBANK INVESTMENT BANK BERHAD 5-13 Floor, Mayban Life Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001	MERCURY SECURITIES SDN BHD L-7-2, No.2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD Level 21 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2173 8888	026-001	PM SECURITIES SDN BHD Ground, Mezanine, 1 <sup>st</sup> & 10 <sup>th</sup> Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No.: 03-2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD 27 <sup>th</sup> Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2031 3011	051-001	RHB INVESTMENT BANK BERHAD Level 3A, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9287 3888	087-001

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
RHB INVESTMENT BANK BERHAD 12 <sup>th</sup> , 20 <sup>th</sup> & 21 <sup>st</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2333 8333	087-018	RHB INVESTMENT BANK BERHAD No. 62 & 64, Vista Magna Jalan Prima, Metro Prima Kepong 52100 Kuala Lumpur Tel No.: 03-6257 5869	087-028
RHB INVESTMENT BANK BERHAD No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4280 4798	087-054	RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No.: 03-9058 7222	087-058
TA SECURITIES HOLDINGS BERHAD Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No.: 03-2072 1277	058-003	UOB KAY HIAN SECURITIES (M) SDN BHD N-1-3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No.: 03-6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD Ground & 19 <sup>th</sup> Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2147 1888	078-010		
<b>SELANGOR DARUL EHSAN</b>			
AFFIN HWANG INVESTMENT BANK BERHAD 3 <sup>rd</sup> & 4 <sup>th</sup> Floor Wisma Meru No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9999	068-019	AFFIN HWANG INVESTMENT BANK BERHAD Lot 229, 2 <sup>nd</sup> Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	068-020
AFFIN HWANG INVESTMENT BANK BERHAD 1 <sup>st</sup> Floor, 20-22 Jalan 21/12, SEA Park 46300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7877 6229	068-023	AFFIN HWANG INVESTMENT BANK BERHAD No. 79-1 & 79-2 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No.: 03-3322 1999	068-023

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
AMINVESTMENT BANK BERHAD 4 <sup>th</sup> Floor, Plaza Damansara Utama No 2, Jalan SS 21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-001	CIMB INVESTMENT BANK BERHAD Level G & Level 1 Tropicana City Office Tower No.3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7717 3388	065-009
HONG LEONG INVESTMENT BANK BERHAD Level 10 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7724 6888	066-002	AFFIN HWANG INVESTMENT BANK BERHAD 16 <sup>th</sup> , 18 <sup>th</sup> -20 <sup>th</sup> Floor Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No.: 03-5513 3288	068-002
AFFIN HWANG INVESTMENT BANK BERHAD East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5635 6688	068-010	JF APEX SECURITIES BERHAD 6 <sup>th</sup> Floor Menara Apex Off Jalan Semenyih Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 1118	079-001
JF APEX SECURITIES BERHAD 15 <sup>th</sup> & 16 <sup>th</sup> Floor, Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002	JF APEX SECURITIES BERHAD Block J-6-3A, Setia Walk PSN Wawasan Pusat Bandar Puchong 47160 Puchong Selangor Darul Ehsan Tel No.: 03-5879 0163	079-004
JUPITER SECURITIES SDN BHD No. 42-46, 3rd Floor Jalan SS19/1D 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5632 4838	055-004	KENANGA INVESTMENT BANK BERHAD Ground – Fifth Floor East Wing, Quattro West No. 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7862 6200	073-005
KENANGA INVESTMENT BANK BERHAD 55C (2 <sup>nd</sup> Floor) Jalan USJ 10/1F 47610 Subang Jaya Selangor Darul Ehsan Tel No.: 03-8024 1773	073-006	KENANGA INVESTMENT BANK BERHAD Lot 240, 2 <sup>nd</sup> Floor The Curve No.6, Jalan PJU 7/3 Mutiar Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-016

## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD Level 1 East Wing Wisma Consplant 2 No. 7, Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5621 2118	073-030	KENANGA INVESTMENT BANK BERHAD No. 35, Ground & 1 <sup>st</sup> Floor Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3348 8080	073-035
MALACCA SECURITIES SDN BHD No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5636 1533	012-002	MALACCA SECURITIES SDN BHD No. 58 & 60 Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7876 1533	012-003
MAYBANK INVESTMENT BANK BERHAD Suite 8.02, Level 8 Menara Trend Intan Millenium Square 68 Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No.: 03-3050 8888	098-003	MAYBANK INVESTMENT BANK BERHAD Wisma Bently Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7718 8888	098-004
PM SECURITIES SDN BHD No. 157, Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003	PM SECURITIES SDN BHD No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3341 5300	064-007
RHB INVESTMENT BANK BERHAD 24, 24M, 24A, 26M, 28M. 28A & 30, 30M & 30A Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7873 6366	087-011	RHB INVESTMENT BANK BERHAD No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 3378	087-045
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	087-047	RHB INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1 ½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	087-048



**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
RHB INVESTMENT BANK BERHAD Ground Floor and First Floor No. 13 Jalan Kenari 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 6899	087-049	RHB INVESTMENT BANK BERHAD 11-1, Jalan PJU 5/12 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-6148 3361	087-051
RHB INVESTMENT BANK BERHAD Unit 1B & 2B, USJ 10/1J 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8023 6518	087-059	SJ SECURITIES SDN BHD Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Tel No.: 03-5192 0202	096-001
SJ SECURITIES SDN BHD 101B, Jalan SS 15/5A 47500, Subang Jaya Selangor Darul Ehsan Tel No.: 03-5631 7888	096-002	SJ SECURITIES SDN BHD No.74-2, Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No.: 03-3322 1915	096-004
TA SECURITIES HOLDINGS BERHAD No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8025 1880	058-005	TA SECURITIES HOLDINGS BERHAD 2 <sup>nd</sup> Floor, Wisma TA No. 1A, Jalan SS 20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 5713	058-007
<b>PERAK DARUL RIDZUAN</b>			
CIMB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> Floor No.8, 8A-C, Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2088 688	065-010	HONG LEONG INVESTMENT BANK BERHAD 51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2530 888	066-003
AFFIN HWANG INVESTMENT BANK BERHAD 21, Jalan Stesen 30400 Taiping Perak Darul Ridzuan Tel No.: 05-8066 688	068-003	AFFIN HWANG INVESTMENT BANK BERHAD 2 <sup>nd</sup> & 3 <sup>rd</sup> Floor No.22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2559 988	068-015

## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD No. 63, Ground, 1 <sup>st</sup> , 2 <sup>nd</sup> & 4 <sup>th</sup> Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2422 828	073-022	KENANGA INVESTMENT BANK BERHAD No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-6222 828	073-026
KENANGA INVESTMENT BANK BERHAD Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-6939 828	073-031	M & A SECURITIES SDN BHD M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-2419 800	057-001
MAYBANK INVESTMENT BANK BERHAD B-G-04 (Ground Floor), Level 1 & 2 No. 42, Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2453 400	098-002	RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-6236 498	087-014
RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-6921 228	087-016	RHB INVESTMENT BANK BERHAD 21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2415 100	087-023
RHB INVESTMENT BANK BERHAD Ground Floor, No.40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-8088 229	087-034	RHB INVESTMENT BANK BERHAD 72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No.: 05-4651 261	087-044
RHB INVESTMENT BANK BERHAD Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-7170 888	087-052	TA SECURITIES HOLDINGS BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No.: 05-2531 313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD 29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-6216 010	078-009		

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
<b>PULAU PINANG</b>			
ALLIANCE INVESTMENT BANK BERHAD Ground & Mezzanine Floor, Bangunan Barkath, 21 Beach Street, 10300, Georgetown Tel No.: 04-2611 688	076-015	AMINVESTMENT BANK BERHAD 3 <sup>rd</sup> Floor, Menara Liang Court No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-2261 818	086-001
AMINVESTMENT BANK BERHAD Level 3 No. 15, Lebu Pantai 10300 Pulau Pinang Tel No.: 04-2619 288	086-007	CIMB INVESTMENT BANK BERHAD Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-2385 900	065-001
AFFIN HWANG INVESTMENT BANK BERHAD Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No.: 04-2636 996	068-001	AFFIN HWANG INVESTMENT BANK BERHAD No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-5372 882	068-006
INTER-PACIFIC SECURITIES SDN BHD Ground Floor, Mezzanine & 8th Floor Sentral Tower No. 3, Penang Street 10200 Pulau Pinang Tel No.: 04-2690 888	054-002	JUPITER SECURITIES SDN BHD 20-1 Persiaran Bayan Indah Bayan Bay Sungai Nibong 11900 Bayan Lepas Penang Tel No.: 04-641 2881	055-003
KENANGA INVESTMENT BANK BERHAD 7 <sup>th</sup> , 8 <sup>th</sup> & 16 <sup>th</sup> Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-2283 355	073-023	M & A SECURITIES SDN BHD 332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No.: 04-2817 611	057-005
M & A SECURITIES SDN BHD 216, 216A, 218 & 218A Pengkalan Weld Lebu Macallum 10300 Pulau Pinang Tel No.: 04-2617 611	057-008	MALACCA SECURITIES SDN BHD Prima Tanjung Suite 98-3-13A, 13B, 13C Jalan Fettes 11200 Tanjung Tokong Pulau Pinang Tel No.: 04-8981 525	012-004

## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
MAYBANK INVESTMENT BANK BERHAD Lot 1.02, 1 <sup>st</sup> Floor Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang Tel No.: 04-2196 888	098-006	MERCURY SECURITIES SDN BHD Ground, 1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Floor Wisma UMNO Lorong Bagan Luar Dua Seberang Perai 12000 Butterworth Pulau Pinang Tel No.: 04-3322 123	093-001
MERCURY SECURITIES SDN BHD 2 <sup>nd</sup> Floor Standard Chartered Bank Chambers 2 Lebuah Pantai 10300 Pulau Pinang Tel No.: 04-2639 118	093-004	MERCURY SECURITIES SDN BHD 70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Penang Tel No.: 04-6400 822	093-006
PM SECURITIES SDN BHD Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No.: 04-2273 000	064-004	RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No.: 04-3900 022	087-005
RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-5402 888	087-015	RHB INVESTMENT BANK BERHAD 834, Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No.: 04-5831 888	087-032
RHB INVESTMENT BANK BERHAD 64 & 64-D Ground-3 <sup>rd</sup> Floor 5 <sup>th</sup> -8 <sup>th</sup> Floor Lebuah Bishop 10200 Pulau Pinang Tel No.: 04-2634 222	087-033	RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 15-G-5, 15-G-6, 15-1-5, 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No.: 04-6404 888	087-042
RHB INVESTMENT BANK BERHAD 41-A, 41-B and 41-C Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang Tel No.: 04-8352 988	087-056	SJ SECURITIES SDN BHD 12 <sup>th</sup> Floor, Office Tower Hotel Royal Penang No.3 Jalan Larut 10050 Georgetown Penang Tel No.: 04-2289 836	096-003

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
UOB KAY HIAN SECURITIES (M) SDN BHD 1 <sup>st</sup> Floor Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No.: 04-2299 318	078-002	UOB KAY HIAN SECURITIES (M) SDN BHD Ground & 1 <sup>st</sup> Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-5541 388	078-003
<b>PERLIS INDRA KAYANGAN</b>			
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No.: 04-9793 888	087-060		
<b>KEDAH DARUL AMAN</b>			
ALLIANCE INVESTMENT BANK BERHAD Lot T-30, 2 <sup>nd</sup> Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-7317 088	076-004	AFFIN HWANG INVESTMENT BANK BERHAD No. 70A, B & C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-4256 666	068-011
RHB INVESTMENT BANK BERHAD No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-4204 888	087-017	RHB INVESTMENT BANK BERHAD 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No.: 04-4964 888	087-019
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor 214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-7209 888	087-021	UOB KAY HIAN SECURITIES (M) SDN BHD Lot 4, 5 & 5A, 1 <sup>st</sup> Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-7322 111	078-007
<b>NEGERI SEMBILAN DARUL KHUSUS</b>			
AFFIN HWANG INVESTMENT BANK BERHAD 1 <sup>st</sup> Floor 105, 107 & 109 Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7612 288	068-007	AFFIN HWANG INVESTMENT BANK BERHAD No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-4553 188	068-013

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
KENANGA INVESTMENT BANK BERHAD 1C & 1D, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7655 998	073-033	MAYBANK INVESTMENT BANK BERHAD Wisam HM Ground Floor No. 43 Jalan Dr. Krishnan 70000, Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7669 555	098-005
PM SECURITIES SDN BHD Ground, 1 <sup>st</sup> - 3 <sup>rd</sup> Floor 18-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7623 131	064-002	RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor, No. 32 & 33 Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7641 641	087-024
RHB INVESTMENT BANK BERHAD 1 <sup>st</sup> Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-4421 000	087-037	RHB INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-6461 234	087-046
<b>MELAKA</b>			
CIMB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.:06-2898 800	065-006	KENANGA INVESTMENT BANK BERHAD 71 (A&B) & 73(A&B), Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2881 720	073-028
KENANGA INVESTMENT BANK BERHAD 22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No.: 06-3372 550	073-034	MALACCA SECURITIES SDN BHD No. 1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel No.: 06-3371 533	012-001
MERCURY SECURITIES SDN BHD No. 81-B & 83-B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2921 898	093-003	PM SECURITIES SDN BHD No. 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No.: 06-2866 008	064-006

## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
RHB INVESTMENT BANK BERHAD No. 19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2833 622	087-002	RHB INVESTMENT BANK BERHAD 579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No.: 06-2825 211	087-026
TA SECURITIES HOLDINGS BERHAD No. 59, 59A & 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2862 618	058-008		
<b>JOHOR DARUL TAKZIM</b>			
ALLIANCE INVESTMENT BANK BERHAD No. 73, Ground & 1 <sup>st</sup> Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No.: 07-7717 922	076-006	AMINVESTMENT BANK BERHAD 3 <sup>rd</sup> Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4342 282	086-002
AMINVESTMENT BANK BERHAD 18 <sup>th</sup> Floor Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-3343 855	086-001	CIMB INVESTMENT BANK BERHAD No 37, Ground Floor No 73A & 79a, First Floor Jalan Kuning Dua 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3405 888	065-011
HONG LEONG INVESTMENT BANK BERHAD Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2227 388	066-005	AFFIN HWANG INVESTMENT BANK BERHAD Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2222 692	068-004
INTER-PACIFIC SECURITIES SDN BHD 95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2231 211	054-004	JUPITER SECURITIES SDN BHD 30-1, Jalan Molek 1/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3538 878	055-002

## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3333 600	073-004	KENANGA INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 34, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-9333 515	073-009
KENANGA INVESTMENT BANK BERHAD No. 33 & 35 (A&B) Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-7771 161	073-010	KENANGA INVESTMENT BANK BERHAD Ground Floor No. 4 Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-9782 292	073-011
KENANGA INVESTMENT BANK BERHAD No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4326 963	073-017	KENANGA INVESTMENT BANK BERHAD Suite 16-02, 16-03 & 16-03A Level 16, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-2237 423	073-019
KENANGA INVESTMENT BANK BERHAD No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9531 222	073-024	KENANGA INVESTMENT BANK BERHAD Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No.: 07-4678 885	073-025
M & A SECURITIES SDN BHD Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3381 233	057-003	M & A SECURITIES SDN BHD 26 Jalan Indah 16/5 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim Tel No.: 07-2366 288	057-006
M & A SECURITIES SDN BHD No. 27, 27A & 27B Jalan Molek 3/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3351 988	057-007	MERCURY SECURITIES SDN BHD Suite 17.1, Level 17 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3316 992	093-005
MALACCA SECURITIES SDN BHD 74 Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3351 533	012-005	PM SECURITIES SDN BHD Ground & 1 <sup>st</sup> Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4333608	064-008



## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
RHB INVESTMENT BANK BERHAD 6 <sup>th</sup> Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No.: 07-2788 821	087-006	RHB INVESTMENT BANK BERHAD 53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4380 288	087-009
RHB INVESTMENT BANK BERHAD No. 33-1, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9538 262	087-025	RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-5577 628	087-029
RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-9321 543	087-030	RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 40 Jalan Haji Mana 86000 Kluang Johor Darul Takzim Tel No.: 07-7769 655	087-031
RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-6626 288	087-035	RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No.: 06-9787 180	087-038
RHB INVESTMENT BANK BERHAD No. 2, 1 <sup>st</sup> Floor Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No.: 07-9256 881	087-039	RHB INVESTMENT BANK BERHAD Ground, 1 <sup>st</sup> & 2 <sup>nd</sup> Floor, No. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3522 293	087-043
TA SECURITIES HOLDINGS BHD 7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No.: 07-9435 278	058-009	UOB KAY HIAN SECURITIES (M) SDN BHD Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-3332 000	078-001

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
UOB KAY HIAN SECURITIES (M) SDN BHD 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-6637 398	078-005	UOB KAY HIAN SECURITIES (M) SDN BHD No. 70 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3513 218	078-006
UOB KAY HIAN SECURITIES (M) SDN BHD No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No.: 07-5121 633	078-008		
<b>KELANTAN DARUL NAIM</b>			
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 3953-H Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-7430 077	087-020	TA SECURITIES HOLDINGS BERHAD 298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-7432 288	058-004
<b>PAHANG DARUL MAKMUR</b>			
ALLIANCE INVESTMENT BANK BERHAD Ground, Mezzanine & 1st Floor B-400, Jalan Berserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-5660 800	076-002	CIMB INVESTMENT BANK BERHAD Ground 1 <sup>st</sup> & 2 <sup>nd</sup> Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No.: 09-5057 800	065-007
JUPITER SECURITIES SDN BHD 2 <sup>nd</sup> Floor, Lot No 25 Jalan Chi Yin 28700 Bentong Pahang Darul Makmur Tel No.: 09-2234 136	055-005	KENANGA INVESTMENT BANK BERHAD A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No.: 09-5171 698	073-027
RHB INVESTMENT BANK BERHAD B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-5173 811	087-007	RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No.: 09-2234 943	087-022

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-4914 913	087-041		
<b>TERENGGANU DARUL IMAN</b>			
ALLIANCE INVESTMENT BANK BERHAD Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6317 922	076-009	FA SECURITIES SDN BHD No. 51 & 51A Ground, Mezzanine & 1 <sup>st</sup> Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6238 128	021-001
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-8583 109	087-027	RHB INVESTMENT BANK BERHAD 31A, Ground Floor 31A & 31B, 1 <sup>st</sup> Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6261 816	087-055
<b>SABAH</b>			
CIMB INVESTMENT BANK BERHAD 1 <sup>st</sup> & 2 <sup>nd</sup> Floor Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-001	AFFIN HWANG INVESTMENT BANK BERHAD Suite 1-9-E1, 9 <sup>th</sup> Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No.: 088-311 688	068-008
KENANGA INVESTMENT BANK BERHAD Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236 188	073-032	RHB INVESTMENT BANK BERHAD 2 <sup>nd</sup> Floor 81 & 83, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-269 788	087-010
RHB INVESTMENT BANK BERHAD Lot 14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Tel No.: 088-258 618	087-036	RHB INVESTMENT BANK BERHAD Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No.: 089-229 286	087-057

**17. LIST OF ADAS (Cont'd)**

<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>	<b>Name, Address and Telephone Number</b>	<b>ADA Code</b>
UOB KAY HIAN SECURITIES (M) SDN BHD 11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No.: 088-234 090	078-011		
<b>SARAWAK</b>			
AMINVESTMENT BANK BERHAD No. 164, 166 & 168 1 <sup>st</sup> Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-001	CIMB INVESTMENT BANK BERHAD Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 606	065-001
CIMB INVESTMENT BANK BERHAD No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No.: 084-367 700	065-001	AFFIN HWANG INVESTMENT BANK BERHAD Ground Floor & 1 <sup>st</sup> Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel No.: 082-341 999	068-005
AFFIN HWANG INVESTMENT BANK BERHAD No. 282, 1 <sup>st</sup> Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-330 008	068-016	KENANGA INVESTMENT BANK BERHAD Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002
KENANGA INVESTMENT BANK BERHAD Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No.: 082-338 000	073-003	KENANGA INVESTMENT BANK BERHAD No. 11-12, (Ground & 1 <sup>st</sup> Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No.: 084-313 855	073-012
KENANGA INVESTMENT BANK BERHAD Ground Floor of Survey Lot No 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel No.: 086-337 588	073-018	RHB INVESTMENT BANK BERHAD Yung Kong Abell Units No. 1-10, 2 <sup>nd</sup> Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel No.: 082-250 888	087-003

## 17. LIST OF ADAS (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
RHB INVESTMENT BANK BERHAD Lot 170 & 171 Section 49, K.T.L.D Jalan Chan Chin Ann 93100 Kuching Sarawak Tel No.: 082-422 252	087-008	RHB INVESTMENT BANK BERHAD 2 <sup>nd</sup> Floor, Lot 1268 & Lot 1269 Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-422 788	087-012
RHB INVESTMENT BANK BERHAD 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No.: 084-329 100	087-013	RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No.: 084-654 100	087-050
RHB INVESTMENT BANK BERHAD Ground & 1 <sup>st</sup> Floor No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-311 770	087-053	TA SECURITIES HOLDINGS BERHAD 12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No.: 084-319 998	058-002
TA SECURITIES HOLDINGS BERHAD 2 <sup>nd</sup> Floor Bangunan Binamas Lot 138, Section 54 Jalan Padungan 93100 Kuching Sarawak Tel No.: 082-236 333	058-006		