

THIS ABRIDGED PROSPECTUS (“AP”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your shares in Bioalpha Holdings Berhad (“**Bioalpha**” or the “**Company**”), you should at once hand this AP, together with the Notice of Provisional Allotment (“**NPA**”) and the Rights Subscription Form (“**RSF**”) (collectively referred to as “**Documents**”) to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants (as defined herein) should be addressed to our Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan.

The Documents are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue with Warrants complies with laws of any countries or jurisdictions other than the laws of Malaysia. The distribution of the Documents, may be prohibited or restricted (either absolutely or subject to various securities requirements, whether legal or administrative, being complied with) in certain jurisdictions or in respect of certain persons under the relevant laws of those jurisdictions. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue with Warrants in any jurisdiction other than Malaysia or to any person to whom it would be unlawful to make such an offer, solicitation or invitation. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Malaysia where shareholders may have their registered addresses, the Documents have not been and will not be despatched to shareholders with a registered address outside Malaysia (“**Foreign Shareholders**”), unless they have provided an address in Malaysia for the service of the Documents by the entitlement date as set out below. However, nothing shall preclude Foreign Shareholders from collecting the Documents, in person, at the office of our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to this Rights Issue with Warrants. Our Company and Hong Leong Investment Bank Berhad (“**HLIB**”) shall not accept any responsibility or liability in the event that any acceptance or renunciation made by the entitled shareholders and/or their renounee(s) and/or their transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of this AP has been registered with the Securities Commission Malaysia (“**SC**”). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents.

Approval for this Rights Issue with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 15 November 2016. Approval has been obtained from Bursa Malaysia Securities Berhad (“**Bursa Securities**”) via its letter dated 13 October 2016 for the listing of and quotation for the Rights Shares (as defined herein), Warrants (as defined herein) and the new Bioalpha Shares (as defined herein) to be issued upon the exercise of the Warrants on the ACE Market of Bursa Securities. Admission of the Warrants to the Official List of Bursa Securities for the listing of and quotation for the Rights Shares, Warrants and new Bioalpha Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of statements made or opinions expressed herein.

Our Board of Directors (“**Board**”) has seen and approved all the documentation relating to this Rights Issue with Warrants including the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted would make any statements in these documents false or misleading.

HLIB, being the Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 6 HEREIN.



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 133,333,131 NEW ORDINARY SHARES OF RM0.05 EACH IN BIOALPHA (“BIOALPHA SHARE(S)”) (“RIGHTS SHARE(S)”) AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 5 BIOALPHA SHARES HELD AS AT 5.00 P.M. ON 8 DECEMBER 2016, TOGETHER WITH 133,333,131 FREE NEW DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED

Adviser



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date	: Thursday, 8 December 2016 at 5.00 p.m.
Last date and time for the sale of provisionally allotted Rights Shares with Warrants	: Friday, 16 December 2016 at 5.00 p.m.
Last date and time for the transfer of provisionally allotted Rights Shares with Warrants	: Wednesday, 21 December 2016 at 4.00 p.m.
Last date and time for acceptance and payment	: Tuesday, 27 December 2016 at 5.00 p.m.
Last date and time for excess application and payment	: Tuesday, 27 December 2016 at 5.00 p.m.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF WARRANTS TO THE OFFICIAL LIST OF BURSA SECURITIES, THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, WARRANTS AND THE NEW ORDINARY SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS ON THE ACE MARKET OF BURSA SECURITIES. THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS.

THE SC AND BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

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

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS & SERVICES ACT 2007.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CAPITAL MARKETS & SERVICES ACT 2007 (SUCH AS OUR DIRECTORS AND ADVISERS) ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

ALL TERMS USED ARE AS DEFINED IN THE "DEFINITIONS" PAGE OF THIS AP.

DEFINITIONS

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

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Additional Undertakings”	: The additional undertakings procured from the Undertaking Shareholders that they will additionally subscribe for Rights Shares with Warrants not subscribed for by the Entitled Shareholders to ensure that all Rights Shares and Warrants available for subscription pursuant to the Rights Issue with Warrants are fully subscribed for
“AP”	: This Abridged Prospectus dated 8 December 2016
“ATM”	: Automated teller machine within Malaysia
“Authorised Nominee”	: A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
“Bioalpha” or “Company”	: Bioalpha Holdings Berhad (949536-X)
“Bioalpha Group” or the “Group”	: Bioalpha and our subsidiaries
“Board”	: Board of Directors of Bioalpha
“Bonus Issue”	: Bonus issue of 166,665,655 Bioalpha Shares, which was completed on 13 September 2016
“Bonus Shares”	: 166,665,655 Bioalpha Shares issued pursuant to the Bonus Issue, which were listed on the ACE Market of Bursa Securities on 13 September 2016
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“CDS”	: A securities account established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
“Code”	: Malaysian Code on Take-Overs and Mergers, 2016, as amended from time to time and any re-enactment thereof
“Deed Poll”	: The document constituting the Warrants dated 23 November 2016
“Desaru Land”	: Two parcels of agricultural land totalling approximately 294.9 acres at Mukim of Sedil Kecil and Mukim of Pantai Timur District of Kota Tinggi Johor
“Documents”	: This AP and the accompanying NPA and RSF, collectively
“EBITDA”	: Earnings before interest, taxation, depreciation and amortisation
“ECERDC”	: East Coast Economic Region Development Council
“EGM”	: Extraordinary general meeting

DEFINITIONS (Cont'd)

“Electronic Application”	: Application for the Rights Shares with Warrants and/or Excess Rights Shares with Warrants through the ATMs of Participating Financial Institutions
“Entitled Shareholders”	: Shareholders whose names appear in our Record of Depositors on the Entitlement Date
“Entitlement Date”	: 8 December 2016 at 5.00 p.m., being the date and time on which the Entitled Shareholders must be registered in our Record of Depositors in order to be entitled to participate in the Rights Issue with Warrants
“EPS”	: Earnings per share
“Excess Application”	: Applications for additional Rights Shares with Warrants in excess of an Entitled Shareholder’s entitlement under the Rights Issue with Warrants as set out in Section 10.7 of this AP
“Excess Rights Shares with Warrants”	: Rights Shares with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable)
“Exercise Price”	: Price at which 1 Warrant is exercisable into 1 Bioalpha Share, being RM0.22, subject to such adjustments as may be allowed under the Deed Poll
“Foreign Entitled Shareholders”	: Our shareholders whose names appear in our Company’s Record of Depositors on the Entitlement Date and having an address outside Malaysia as set out in Bursa Depository’s records, which are entitled under the Rights Issue with Warrants
“FPE”	: Financial period ended/ending, as the case may be
“FYE”	: Financial year ended/ending 31 December, as the case may be
“GDP”	: Gross domestic product
“GMP”	: Good Manufacturing Practice, an internationally recognised standard of manufacturing that is applied for manufacturing of food and food-related products, traditional medicine and pharmaceutical products
“Government”	: Government of Malaysia
“HLIB” or “Adviser”	: Hong Leong Investment Bank Berhad (10209-W)
“Independent Market Research Report”	: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in the Republic of Indonesia (“Indonesia”) and Health Supplement Market in People’s Republic of China (“China”) dated 15 November 2016 prepared by Smith Zander
“Internet Application”	: Application for the Rights Shares with Warrants and/or Excess Rights Shares with Warrants through an Internet Participating Financial Institution
“Internet Participating Financial Institution(s)”	: Participating financial institution(s) for the Internet Applications, as referred to in Section 10.4.3(i) of this AP

DEFINITIONS (Cont'd)

“Issue Price”	: Issue price of RM0.20 per Rights Share
“Joint Venture Agreement”	: Joint venture agreement dated 6 July 2010 as supplemented by a supplemental agreement dated 9 June 2014 entered into between J-Biotech Herbal Sdn Bhd and Bioalpha Agro Sdn Bhd
“Listing Requirements”	: ACE Market Listing Requirements of Bursa Securities, as amended from time to time
“LPD”	: 15 November 2016, being the latest practicable date prior to the date of this AP
“Market Day”	: Any day on which Bursa Securities is open for trading in securities
“MOA”	: Ministry of Agriculture and Agro-Based Industry Malaysia
“MTDC”	: Malaysian Technology Development Corporation Sdn Bhd (235796-U)
“NA”	: Net assets
“NLC”	: National Land Code 1965
“NPA”	: Notice of provisional allotment in relation to the Rights Issue with Warrants
“NRS”	: Nominee Rights Subscription service offered by Bursa Depository, at the request of our Company, to Authorised Nominees for electronic subscription of Rights Shares with Warrants through Bursa Depository’s existing network facilities with the Authorised Nominees
“ODM”	: Original design manufacturer involves undertaking the entire product development process, from product formulation and sourcing of active ingredients, supplies and consumables, to manufacturing and/or product packing
“OEM”	: Original equipment manufacturer involves undertaking the manufacturing and/or product packing activities. Product formulations are developed by the customer, and customers may provide the active ingredients, supplies and consumables used in the manufacturing process
“Option(s)”	: The rights of an eligible employee to subscribe for new Bioalpha Shares pursuant to the Share Issuance Scheme
“Participating Financial Institution(s)”	: Participating financial institution(s) for Electronic Applications, as referred to in Section 10.4.2(ii) of this AP
“Pasir Raja Land”	: 1,003.2-acre integrated herbal cluster agriculture land located at Mukim Pasir Raja, Terengganu. The integrated herbal cluster agriculture land is equipped with water irrigation, fertiliser storage and residences for farm workers to allow for the cultivation of traditional herbs, as well as a primary processing plant for harvested herbal plants

DEFINITIONS (Cont'd)

“Pasir Raja Land Sub-Lease”	: A sub-lease agreement dated 30 January 2015 and supplemental letter of agreement dated 21 June 2016 between ECERDC, Bioalpha, Bioalpha International Sdn Bhd, Bioalpha East Coast Agro Sdn Bhd for the grant of the sub-lease with respect to the Pasir Raja Land in the following phases:
	(i) Phase 1: 123.5 acres for a period of 2 years from 7 April 2014 to 6 April 2016; and
	(ii) Phase 2: the entire Pasir Raja Land (inclusive of the Phase 1 sub-lease) for a period of 28 years from 7 April 2016 to 6 April 2044.
“PAT”	: Profit after tax
“PBT”	: Profit before tax
“PNS”	: Perbadanan Nasional Berhad (9157-K)
“Price Fixing Date”	: 18 November 2016, being the date on which the Issue Price and Exercise Price was determined and announced
“Provisional Rights Shares with Warrants”	: Rights Shares with Warrants provisionally allotted to the Entitled Shareholders
“R&D”	: Research and development
“Record of Depositors”	: A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
“Rights Issue Entitlement File”	: An electronic file forwarded by Bursa Depository to an Authorised Nominee who has subscribed for NRS, containing the information of such Authorised Nominee’s entitlements under the Rights Issue with Warrants as at the Entitlement Date
“Rights Issue with Warrants”	: Renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 Warrants at the Issue Price on the basis of 1 Rights Share for every 5 existing Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed
“Rights Share(s)”	: 133,333,131 new Bioalpha Shares to be issued pursuant to the Rights Issue with Warrants
“Rights Shares Subscription File”	: An electronic file forwarded by an Authorised Nominee who has subscribed for NRS to Bursa Depository, containing information pertaining to such Authorised Nominees’ acceptance of their respective Provisional Rights Shares with Warrants and application for Excess Rights Shares with Warrants
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“RSF”	: Rights subscription form in relation to the Rights Issue with Warrants
“Rules of Bursa Depository”	: The rules of Bursa Depository as issued pursuant to the SICDA, as amended from time to time
“SAB”	: Scientific Advisory Board

DEFINITIONS (Cont'd)

“SC”	: Securities Commission Malaysia
“Share Issuance Scheme”	: A share issuance scheme of up to 30% of Bioalpha’s issued and paid-up share capital (excluding any treasury shares) at any one time during the duration of the scheme as announced on 27 May 2016, amongst others, which was approved by the shareholders of Bioalpha at an EGM held on 19 August 2016 and is intended to be implemented by the Board after the completion of the Rights Issue with Warrants
“Share Registrar”	: Symphony Share Registrars Sdn Bhd (378993-D)
“SICDA”	: Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
“Smith Zander”	: Smith Zander International Sdn Bhd (1058128-V)
“TERP”	: Theoretical ex-rights price
“Undertakings”	: Irrevocable written undertakings from the Undertaking Shareholders that they will subscribe in full for their entitlement of Rights Shares with Warrants based on their shareholdings as at the Entitlement Date
“Undertaking Shareholders”	: Mr Hon Tian Kok @ William and PNS, collectively
“USD”	: United States Dollar
“Warrants”	: Free detachable warrants to be issued pursuant to the Rights Issue with Warrants

All references to “**our Company**” in this AP are to Bioalpha, and references to “**our Group**” are to our Company and our subsidiaries. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company and, where the context requires otherwise, our Group.

All references to “**you**” in this AP are to our Entitled Shareholders and/or where the context otherwise requires, their renounee(s) and/or transferee(s).

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this AP to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day or date in this AP shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Any discrepancies in the tables included in this AP between the amounts listed, actual figures and the totals thereof are due to rounding.

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CORPORATE DIRECTORY**OUR BOARD**

Name (<i>Designation</i>)	Address	Nationality	Age	Occupation
Tan Sri Abdul Rahman Bin Mamat <i>(Independent Non-Executive Chairman)</i>	3-11-1, The Residence, Jalan Wan Kadir 5, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	Malaysian	64	Company Director
Hon Tian Kok @ William <i>(Managing Director/ Chief Executive Officer)</i>	No. 52A, Jalan 8/35A, Taman Seri Bangi, Seksyen 8, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	Malaysian	40	Company Director
Ho Tze Hiung <i>(Executive Director)</i>	No. 42, Jalan BU3/2, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan	Malaysian	39	Company Director
Dato' Norhalim Bin Yunus <i>(Non-Independent Non-Executive Director)</i>	No. 19, Jalan Mulia 1/5, Taman Bukit Antarabangsa, 68000 Ampang, Selangor Darul Ehsan	Malaysian	53	Company Director
Dato' Rosely Bin Samsuri <i>(Non-Independent Non-Executive Director)</i>	No. 119, Jalan C1, Taman Melawati, 53100 Kuala Lumpur	Malaysian	63	Company Director
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim <i>(Independent Non-Executive Director)</i>	No. 48, Jalan Chenderau, Bukit Pantai, 59100 Kuala Lumpur	Malaysian	72	Company Director
Dr. Nik Ismail Bin Nik Daud <i>(Independent Non-Executive Director)</i>	26, Jalan SS 19/3A, 47500 Subang Jaya, Selangor Darul Ehsan	Malaysian	65	Company Director
Mohd Nasir Bin Abdullah <i>(Independent Non-Executive Director)</i>	Lot 13A Batu 5¾ Jalan Gombak, Gombak Setia, 53100 Kuala Lumpur	Malaysian	50	Company Director

AUDIT COMMITTEE

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

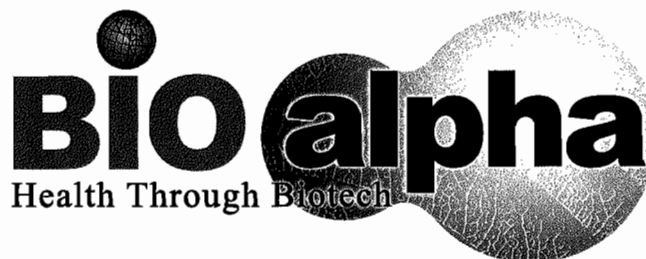
CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)
Suite 10.03, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
- Tel no: (603) 2279 3080
Fax no: (603) 2279 3090
- REGISTERED OFFICE** : Suite 10.03, Level 10,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
- Tel no: (603) 2279 3080
Fax no: (603) 2279 3090
- HEAD OFFICE** : No. 10, Jalan P/9A,
Seksyen 13,
43650 Bandar Baru Bangi,
Selangor Darul Ehsan
- Tel no: (603) 8925 1222
Fax no: (603) 8922 2522
Email: info@bioa.net
Website: www.bioa.net
- REPORTING ACCOUNTANTS AND AUDITORS** : UHY (AF1411)
Suite 11.05, Level 11,
The Gardens South Tower,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
- Tel no: (603) 2279 3088
Fax no: (603) 2279 3099
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan
- Tel no: (603) 7849 0777
Fax no: (603) 7841 8151/ 8152
- PRINCIPAL BANKER** : United Overseas Bank (Malaysia) Bhd
24-26, Jalan Dato Lee Fong Yee,
P.O. Box 355,
70740 Seremban,
Negeri Sembilan
- Tel no: (606) 762 5651
Fax no: (606) 763 5303

CORPORATE DIRECTORY (Cont'd)

- SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS** : Cheang & Ariff
39 Court@Loke Mansion,
273A, Jalan Medan Tuanku,
50300 Kuala Lumpur
- Tel no: (603) 2691 0803
Fax no: (603) 2693 4475
- INDEPENDENT MARKET RESEARCHER** : Smith Zander International Sdn Bhd
Suite 23-3, Level 23, Office Suite,
Menara 1MK,
No 1 Jalan Kiara,
Mont' Kiara,
50480 Kuala Lumpur
- Tel no: (603) 6211 2121
- ADVISER** : Hong Leong Investment Bank Berhad
Level 23, Menara HLA,
No. 3, Jalan Kia Peng,
50450 Kuala Lumpur
- Tel no: (603) 2168 1168
Fax no: (603) 2164 8880
- STOCK EXCHANGE LISTED** : ACE Market of Bursa Securities

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BIOALPHA HOLDINGS BERHAD

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

Registered Office:

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

8 December 2016

Board of Directors:

Tan Sri Abdul Rahman Bin Mamat (*Independent Non-Executive Chairman*)
Hon Tian Kok @ William (*Managing Director/ Chief Executive Officer*)
Ho Tze Hiung (*Executive Director*)
Dato' Norhalim Bin Yunus (*Non-Independent Non-Executive Director*)
Dato' Rosely Bin Samsuri (*Non-Independent Non-Executive Director*)
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim (*Independent Non-Executive Director*)
Dr. Nik Ismail Bin Nik Daud (*Independent Non-Executive Director*)
Mohd Nasir Bin Abdullah (*Independent Non-Executive Director*)

To: Our Shareholders of Bioalpha

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 133,333,131 RIGHTS SHARES AT AN ISSUE PRICE OF RM0.20 PER RIGHTS SHARE ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 5 BIOALPHA SHARES HELD AS AT 5.00 P.M. ON 8 DECEMBER 2016, TOGETHER WITH 133,333,131 WARRANTS ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED

1. INTRODUCTION

On 7 September 2016, HLIB, had on our behalf, announced that the Company proposes to undertake a renounceable rights issue of 133,333,333 Rights Shares together with 133,333,333 Warrants on the basis of 1 Rights Share for every 5 existing Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed. The number of Rights Shares to be issued pursuant to the Rights Issue with Warrants was determined after taking into account the issued and paid-up share capital of the Company of 500,000,000 Bioalpha Shares and the Bonus Issue of 166,666,666 Bonus Shares as at 7 September 2016.

Further thereto, on 19 September 2016, HLIB, had on our behalf, announced that after taking into consideration the enlarged issued and paid-up share capital of Bioalpha upon completion of the Bonus Issue which comprises of 666,665,655 Bioalpha Shares, the Rights Issue with Warrants will now entail a renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 Warrants based on a similar basis as first announced on 7 September 2016.

On 13 October 2016, HLIB, had on our behalf, announced that Bursa Securities had vide its letter dated 13 October 2016, resolved to approve the following:

- (i) Listing of and quotation for the 133,333,131 Rights Shares to be issued pursuant to the Rights Issue with Warrants;
- (ii) Admission to the Official List of Bursa Securities and the listing of and quotation for the 133,333,131 Warrants to be issued pursuant to the Rights Issue with Warrants; and
- (iii) Listing of and quotation for up to 133,333,131 new Bioalpha Shares to be issued arising from the exercise of the Warrants,

on the ACE Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

No. Conditions imposed	Status of compliance
(1) Bioalpha and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	To be complied
(2) Bioalpha and HLIB to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied
(3) Bioalpha to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed;	To be complied
(4) Bioalpha to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable; and	To be complied
(5) The Rights Issue with Warrants issued to the Promoters (as defined in the Prospectus dated 26 May 2015) are subject to the same moratorium as imposed by Bursa Securities pursuant to the Initial Public Offering of Bioalpha.	Complied

The following information on the Rights Issue with Warrants that are subject to the moratorium are to be submitted to Bursa Depository upon the announcement of the Book Closure Date for the Rights Issue with Warrants:

- (a) the names of the shareholders;
- (b) the number of Rights Shares; and
- (c) the date of expiry of the moratorium.

Our shareholders had, at our EGM held on 15 November 2016, approved the Rights Issue with Warrants. A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants passed at the said EGM is set out in Appendix I of this AP.

On 18 November 2016, HLIB, had on our behalf, announced that the issue price of the Rights Shares has been fixed at RM0.20 per Rights Share and the exercise price of the Warrants has been fixed at RM0.22 per Warrant.

On 24 November 2016, HLIB, had on our behalf, announced that the Entitlement Date for the Rights Issue with Warrants has been fixed at 5.00 p.m. on 8 December 2016 together with the other relevant dates pertaining to the Rights Issue with Warrants.

The official listing of and quotation for the Rights Shares with Warrants to be issued pursuant to the Rights Issue with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of our Entitled Shareholders and/or their renounee(s) and/or transferee(s) are ready for crediting and notices of allotment have been despatched to them.

No person is authorised to give any information or make any representation not contained in the Documents in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us and/or HLIB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

In accordance with the terms of the Rights Issue with Warrants, as approved by the relevant authorities and our shareholders at the EGM held on 15 November 2016 and subject to the terms of this AP and the accompanying documents, we will provisionally allot 133,333,131 Rights Shares for the Entitled Shareholders to subscribe on the basis of 1 Rights Share for every 5 Bioalpha Shares held on the Entitlement Date, at an issue price of RM0.20 per Rights Share, together with 133,333,131 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed.

As at the LPD, the issued and paid-up share capital of our Company is RM33,333,283 comprising 666,665,655 Bioalpha Shares, and there are no treasury shares held by us. A total of 133,333,131 Rights Shares together with 133,333,131 Warrants will be issued pursuant to the Rights Issue with Warrants. Additionally, up to 133,333,131 new Bioalpha Shares will be issued upon the full exercise of the Warrants.

The entitlements for the Rights Shares with Warrants are renounceable in full or in part. Accordingly, you can subscribe for and/or renounce and/or transfer your entitlements for the Rights Shares in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares pursuant to the Rights Issue with Warrants. For avoidance of doubt, the Rights Shares and the Warrants cannot be renounced separately. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the Warrants in the proportion of their acceptance of their Rights Shares entitlements.

Shareholders whose names appear in our Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue with Warrants. However, only Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided our Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive the Documents.

Any Rights Shares with the attached Warrants which are unsubscribed or not taken up or not validly taken up shall be made available for excess applications by other Entitled Shareholders and/or their renounee(s) under the excess Rights Shares application. It is the intention of the Board to allocate the excess Rights Shares with the attached Warrants in a fair and equitable manner as set out in Section 10.7 of this AP.

Any fractional entitlements that may arise from the Rights Issue with Warrants will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion think fit and expedient or to be in the best interest of the Company.

Any dealings in our securities will be subject to, *inter-alia*, the provision of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares with Warrants and new Bioalpha Shares to be issued arising from the exercise of Warrants will be credited directly into the respective CDS Accounts of the successful applicants and exercising Warrant holders (as the case may be). No physical share or warrant certificates will be issued.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You (other than an Authorised Nominee who has subscribed for NRS) will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the Provisional Rights Shares with Warrants, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 10.4.4 and 10.7.4 of this AP for the procedures for acceptance as well as to apply for Excess Rights Shares with Warrants respectively, if you choose to do so.

YOU SHOULD READ THIS AP IN ITS ENTIRETY BEFORE MAKING A DECISION.

2.2 Basis and justifications of determining the Issue Price and the Exercise Price

2.2.1 Basis and justifications of determining the Issue Price of the Rights Shares

On 18 November 2016, HLIB, had on our behalf, announced that our Board has fixed the Issue Price of the Rights Shares at RM0.20 per Rights Share. The Issue Price was arrived at after taking into consideration, amongst others, the following:

- (i) The funding requirements of our Group, details of which are set out in Section 4 of this AP;
- (ii) The 5-day VWAMP of RM0.2352 per Bioalpha Share up to and including 17 November 2016, being the last trading day prior to the Price Fixing Date;
- (iii) The minimum issue price allowable under the Act, which is not lesser than the par value of the Bioalpha Shares of RM0.05 each; and
- (iv) The discount to the Issue Price of not more than 25% to the TERP of the Bioalpha Shares.

The discount to the Issue Price was determined by our Board after taking into account the following:

- (i) The funding requirements of our Group, details of which are set out in Section 4 of this AP;
- (ii) Bioalpha Shares were traded at the lowest of RM0.230 per Bioalpha Share and the highest of RM0.450 for the past 12 months up to and including up to and including 17 November 2016, being the last trading day prior to the Price Fixing Date; and

- (iii) The discount will provide the existing shareholders with an attractive opportunity to further increase their equity participation in our Company at a discount to the prevailing market price of Bioalpha Shares.

The Issue Price of RM0.20 per Rights Share represents a discount of approximately RM0.025 or 11.11% to the TERP of approximately RM0.225 per Bioalpha Shares computed based on the 5-day VWAMP of Bioalpha Share up to and including 17 November 2016, being the last trading day prior to the Price Fixing Date.

2.2.2 Basis and justifications of determining the Exercise Price of the Warrants

The Warrants are attached to the Rights Shares without any cost and will be issued only to subscribers of the Rights Shares and/or their renounee(s) who have successfully subscribed for the Rights Shares.

The issuance of the Warrants is expected to enhance the attractiveness of the Rights Issue with Warrants as well as enabling the subscribers of the Rights Shares to benefit from the future growth of our Company.

On 18 November 2016, HLIB, had on our behalf, also announced that our Board has fixed the Exercise Price of the Warrants at RM0.22 per Warrant. The Exercise Price was arrived at after taking into consideration, amongst others, the following:

- (i) The future prospects of our Group, details of which are set out in Section 7.6 of this AP;
- (ii) The 5-day VWAMP of RM0.2352 per Bioalpha Share up to and including 17 November 2016, being the last trading day prior to the Price Fixing Date; and
- (iii) The minimum issue price allowable under the Act, which is not lesser than the par value of the Bioalpha Shares of RM0.05 each.

The Exercise Price of RM0.22 per Warrant represents a discount of approximately RM0.005 or 2.22% to the TERP of approximately RM0.225 per Bioalpha Shares computed based on the 5-day VWAMP of Bioalpha Share up to and including 17 November 2016, being the last trading day prior to the Price Fixing Date.

2.3 Ranking of the Rights Shares and new Bioalpha Shares to be issued arising from the exercise of the Warrants

The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the allotment and issuance of the Rights Shares.

The new Bioalpha Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the allotment and issuance of the said new Bioalpha Shares.

2.4 Principal terms of the Warrants

The principal terms of the Warrants to be issued in conjunction with the Rights Issue with Warrants are as follows:

Issue size : 133,333,131 Warrants to be issued in conjunction with the Rights Issue with Warrants to the Entitled Shareholders on the basis of 1 Warrant for 1 Rights Share successfully subscribed.

- Form and denomination : The Warrants to be issued with the Rights Shares are immediately detached upon its issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll.
- Exercise Rights : Each Warrant shall entitle the registered holder, at any time during the Exercise Period, to subscribe for 1 new Bioalpha Share at the Exercise Price, subject to adjustments in accordance with the provisions as set out in the Deed Poll.
- Exercise Price : The exercise price of the Warrants is RM0.22 per Warrant.
- Exercise Period : The Warrants may be exercised at any time within 5 years commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the Expiry Date, but excluding the 5 Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors of the Company and/or the Warrants register is closed. Any Warrant not exercised during the Exercise Period will cease to be valid for any purpose and will be deemed to have lapsed.
- Expiry Date : The close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5th anniversary of the date of issuance of the Warrants or if such a date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day. Any Warrants which have not been exercised and delivered to the registrar will cease to be valid for any purpose and will be deemed to have lapsed.
- Board lot : For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Bioalpha Shares at any time during the Exercise Period, or such denomination as determined by Bursa Securities.
- Listing status : The Warrants will be listed on the ACE Market of Bursa Securities.
- Rights of Warrant holders : The registered holder of the Warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in Bioalpha unless and until the Warrant holder becomes a shareholder of Bioalpha by exercising his/ her Exercise Rights.
- Adjustment in the Exercise Price and/or number of Warrants : Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants held by each Warrant holder may be adjusted by the Board in consultation with the auditor and/or approved adviser and if deemed necessary, certified by the auditors appointed by Bioalpha, in the event of any alteration to the share capital of Bioalpha in accordance with the provisions set out in the Deed Poll.
- Rights in the event of winding up, amalgamation, reconstruction : Where a resolution has been passed for a members' voluntary winding-up of the Company or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then:
- (i) for the purpose of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a Special Resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant holders; and

- Rights in the event of winding up, amalgamation, reconstruction (cont'd) : (ii) in any other case, every Warrant holder will be entitled at any time within 6 weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by that Warrant to the extent specified in the Exercise Forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly.
- Further issues : Subject to the provisions of the Deed Poll, the Company will be at liberty to issue Shares or other securities convertible to Shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warrant holders will not have any participating rights in such issue unless the Warrant holder becomes a shareholder of Bioalpha by exercising his Exercise Rights or otherwise resolved by the Company in a general meeting.
- Modification : The Company, may from time to time, without the consent or sanction of the Warrant holders, but subject to the prior approvals of the relevant authorities, if required, modify this deed poll if such modifications are not materially prejudicial to the interests of the Warrant holders or to correct a manifest error or to comply with the mandatory provisions of the laws of Malaysia.
- Subject to the prior approval of Bursa Securities and other relevant authorities, any modifications, amendments, deletions or additions to the Deed Poll must be effected by a supplemental deed poll executed by the Company and expressed to be supplemental to the Deed Poll, approved by the Warrant holders sanctioned by special resolution, and comply with the relevant provisions of the Deed Poll.
- Deed Poll : The Warrants are constituted by the Deed Poll executed by our Company on 23 November 2016.
- Governing law : Laws of Malaysia.

2.5 Details of other corporate exercises

The Board confirms that save for the Share Issuance Scheme, which was approved by our shareholders at the EGM held on 19 August 2016, there are no other outstanding corporate exercises that have been announced by the Company but not yet completed as at the LPD. The Board intends to implement the Share Issuance Scheme after the completion of the Rights Issue with Warrants.

3. UNDERTAKINGS AND ADDITIONAL UNDERTAKINGS

Pursuant to the Rights Issue with Warrants which would be undertaken on a full subscription basis, our Company had, on 1 September 2016, procured the Undertakings and Additional Undertakings from the Undertaking Shareholders. In addition, the Undertaking Shareholders shall subscribe in full for any additional entitlement of the Rights Issue with Warrants in the event they increase their shareholdings in Bioalpha prior to the Entitlement Date.

The Additional Undertakings have been procured from the Undertaking Shareholders to ensure that all the Rights Shares and Warrants available for subscription pursuant to the Rights Issue with Warrants of Bioalpha are fully subscribed for. As such, there will not be a minimum level of subscription for the Rights Issue with Warrants and no underwriting arrangements would be required to ensure full subscription of the Rights Shares.

The details of the Undertakings and Additional Undertaking are set out below:

Substantial shareholder ⁽¹⁾	Shareholdings as at 1 December 2016		No. of Rights Shares to be subscribed based on the Undertakings		No. of Rights Shares to be subscribed based on the Additional Undertakings		Total number of Rights Shares to be subscribed	
	No. of shares	⁽²⁾ %	No. of shares	⁽³⁾ %	No. of shares	⁽³⁾ %	No. of shares	⁽³⁾ %
Hon Tian Kok @ William	⁽⁴⁾ 125,379,540	18.81	25,075,908	18.81	19,054,857	14.29	44,130,765	33.10
PNS	68,755,505	10.31	13,751,101	10.31	75,451,265	56.59	89,202,366	66.90
Total	194,135,045	29.12	38,827,009	29.12	94,506,122	70.88	133,333,131	100.00

Notes:

- (1) Save for MTDC, both our other substantial shareholders as at 1 December 2016 has provided their Undertakings and Additional Undertakings.
- (2) Based on the issued and paid-up share capital as at 1 December 2016.
- (3) Based on the Undertakings and Additional Undertakings for the aggregate number of Rights Shares available for subscription pursuant to the Rights Issue with Warrants.
- (4) Taking into account his subsequent acquisitions of an aggregate of 1,921,200 Bioalpha Shares after the LPD up until and including 1 December 2016 via the open market.

The Undertaking Shareholders have provided their confirmation that they have the sufficient financial resources to subscribe in full for the Rights Shares pursuant to the Undertakings and Additional Undertakings. HLIB has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for the Rights Shares pursuant to the Undertakings and Additional Undertakings based on the Issue Price of the Rights Shares of RM0.20.

Pursuant to the Undertakings and Additional Undertakings, our Company confirms that the subscription of the Rights Shares by the Undertaking Shareholders are not expected to trigger a mandatory take-over offer obligation pursuant to the Code as the Undertaking Shareholders' shareholdings will not individually exceed 33.00% of the enlarged issued and paid-up share capital of Bioalpha.

However, like any other Entitled Shareholders, should the Undertaking Shareholders exercise all their Warrants into new Bioalpha Shares such that their shareholdings individually in Bioalpha increases to above 33%, or in the case where their individual shareholdings in Bioalpha is between 33% and 50%, an increase by more than 2% in any 6 months period, the affected Undertaking Shareholder will be obliged to undertake a mandatory take-over offer for all the remaining Bioalpha Shares not already held by them individually pursuant to Rule 4 of the Code. The Undertaking Shareholders have given their confirmation that they will at all times observe and ensure compliance with the provisions of the Code.

Further, in the event that the Undertaking Shareholders subscribe for their Undertakings and Additional Undertakings and no other Entitled Shareholder subscribes for their entitlements under the Rights Issue with Warrants, the public shareholding spread of Bioalpha will not fall below the minimum shareholding spread requirement of 25.00% as required pursuant to Rule 8.02(1) of the Listing Requirements.

4. UTILISATION OF PROCEEDS

The Rights Issue with Warrants, at the Issue Price of RM0.20 per Rights Share, will raise gross proceeds of approximately RM26.67 million (excluding proceeds from any exercise of the Warrants in the future, if any). The proposed utilisation of the proceeds raised from the Rights Issue with Warrants is as follows:

Proposed utilisation of proceeds	Note	RM'000	%	Estimated timeframe for utilisation of proceeds from the date of listing of the Rights Shares
Production of new products	(i)	13,500	50.62	Within 18 months
Capital expenditure	(ii)	3,500	13.13	Within 18 months
Expansion of agriculture business operations	(iii)	8,500	31.87	Within 18 months
Working capital	(iv)	512	1.92	Within 6 months
Estimated expenses	(v)	655	2.46	Within 1 month
		26,667	100.00	

Notes:

- (i) As part of our business expansion plan, our Group intends to utilise RM13.50 million of the proceeds raised from the Rights Issue with Warrants for the production of new products. Presently, the 3 principal markets of our Group are Malaysia, Indonesia and China. It is anticipated that the demand for health foods and supplements in these markets are on an upward trend. Thus, under the banner of the Bioalpha Group, we intend to produce and introduce new products to these markets to capitalise on this trend by providing our customers with a greater range of product offerings in efforts to increase our Group's profitability and garner greater market share. The number of new products expected to be introduced to the various geographical markets and the expected introduction timeframes are as follows:

Geographical market	1 st half 2017	2 nd half 2017	1 st half 2018
Malaysia	5 new products	-	5 new products
Indonesia	3 new products	3 new products	6 new products
China	3 new products	2 new products	-
Total	11 new products	5 new products	11 new products

Our Group has identified the product formulations for the new products to be introduced in the first half of 2017. However, such formulations may be refined prior to the actual introduction of the new product based on the demand trends of the intended markets.

Our Group anticipates to utilise approximately RM5.50 million for the production of 11 new products in the first half of 2017 as mentioned in the table above. The remaining RM8.00 million will be allocated accordingly to meet the funding requirements for the production of the remaining 16 new products.

The new products to be produced solely for the Malaysian market will focus on the improvement of general health, immune system, respiratory functions and anti-ageing purposes while the new products to be produced solely for the Indonesian market will focus on products which enhance aesthetics and are diet-related in nature. The new products to be produced solely for the China market will be functional food products which improve the immune system, respiratory functions and general health. While the general functions and qualities of our products to be introduced to the various markets may be similar, the formulation for each product to be produced will be specifically customised based on the demand trends of the intended markets.

The new products to be introduced in Malaysia and China will be manufactured and packaged in Malaysia at our Group's production facility located in Bangi, Selangor (built-up area of 13,737 square feet). The new products to be introduced in Indonesia will be manufactured at our Group's production facility located in Bangi, Selangor and packaged in Indonesia at our Group's new facility to be commissioned and located in Kampar, Riau, Sumatra (built-up area of approximately 5,000 square feet). Pending the commissioning of our Group's facility in Indonesia which is subject to the issuance of the necessary licences from the relevant approving authorities, the new products to be introduced in Indonesia will also be packaged in Malaysia at our Group's production facility located in Bangi, Selangor. This will result in a slight increase in transportation cost for the final products to be introduced in Indonesia, which will not have a material financial impact to our Group.

As at the LPD, our Group has yet to incur any expenses for the production of new products.

The proceeds proposed to be utilised for the production of new products is expected to be allocated in the following manner:

	RM'000
Purchase of raw materials	7,850
Packaging costs	5,650
Total	<u>13,500</u>

The sales of the new products to be introduced in Malaysia will be undertaken by our Group's own "Constant" pharmacies as well as other third-party pharmacies. The sales of the new products to be introduced in Indonesia and China will be undertaken by appointed distributors identified by our Group. Based on our Group's audited consolidated financial statements for the FYE 2015, our Group had generated 21.07% of our revenue from the Malaysian market, while the Indonesian and Chinese market had contributed 48.50% and 28.02% respectively. The remaining revenue for the FYE 2015 was derived from the sales of our Group's products to other countries, namely Singapore and Taiwan.

Please refer to Section 7.6 of this AP for further information on the intended production of new products by our Group.

- (ii) The proceeds proposed to be utilised for capital expenditure are expected to be allocated in the following manner:

	RM'000
New machineries to be purchased	2,500
Upgrading of existing machineries	1,000
Total	<u>3,500</u>

In line with our business expansion plans to launch new products in Malaysia, Indonesia and China, capital expenditure is required for the purchase of new machineries to increase the production capacity of our Group. We will allocate RM2.50 million towards this purpose. The new machineries proposed to be purchased will enable our Group to cater for the increase in supply required in anticipation of the launch of new products. These new machineries will be housed in our Group's existing production facility in Bangi, Selangor and primary processing plant in Pasir Raja, Terengganu respectively and will be used in the processing, production, packaging and storage of the new products and is anticipated to enhance the production capabilities of our Group. The current available floor space at our Group's existing production facility in Bangi, Selangor and primary processing plant in Pasir Raja, Terengganu are sufficient to cater for the new machineries.

The details of the new machineries proposed to be purchased are as follows:

	Expected purchase / commissioning from the date of listing of the Rights Shares	Units	Total cost (RM)
Boiler	1 month / 11 months	1	300,000
Chiller	1 month / 7 months	1	100,000
Quadruple pouch packing machine	12 months / 17 months	1	500,000
High speed wet granulator	1 month / 6 months	1	550,000
Automated tea bag machine	7 months / 12 months	1	300,000
Automated sealer and shrink wrap machine	12 months / 17 months	1	250,000
Sachet packing machine	1 month / 6 months	2	500,000
Total		8	2,500,000

The purchase of the abovementioned new machineries will increase the production capacity of the following production lines as follows:

Production line	Description	Estimated annual production capacity as at 31 December 2015 ⁽¹⁾	Utilisation rates for the FYE 2015	Estimated revised annual production capacity ⁽¹⁾
		Units	%	Units
Sachet (liquid and powder)	Machinery involved in measuring, sieving, separating, filtering and filling of liquid and powdered mixes into sachets	8,985,600	50.79	22,464,000
Teabag	Machinery involved in manufacturing products in teabag packaging forms	7,488,000	15.09	12,729,600

Note:

(1) Based on an 8 hour shift over a 6 working day week.

Save for the abovementioned, the production capacity of our other production lines will remain unchanged.

Based on the FYE 2015 utilisation rate of the sachet and teabag production lines, the said production lines have an estimated excess production capacity of approximately 49% and 85% respectively. The purchase of the new machineries will result in an increase of the estimated annual production capacity of approximately 150% and 70% for the sachet and teabag production lines. Our Board opines that the purchase of the new machineries is warranted as the new machineries enables the Group to cater to the demand of and current market trends of the final product packaging form/type for its sachet and tea bag products as follows:

- (a) Enables new liquid and powder sachet packaging such as customisable "doy pack" liquid pouch and powder sachet in addition to the current three side seal pouch and sachet packaging; and
- (b) Enables new tea bag packaging such as automated string and tag tea bags with aluminium foil wrapping and nylon based tea bags in addition to the current tea bag form of tagless tea bags.

Such new packaging forms/types is also expected to enhance the attractiveness of our Group's products as our Group introduces the intended new products in the Indonesia and China markets over the next 2 years.

In addition to new machineries, our Group will allocate RM1.0 million of the proceeds raised for the upgrading of existing machineries used in our Group's primary processing plant located in Pasir Raja, Terengganu. The machineries proposed to be upgraded are used for the processing of herbs harvested from the Pasir Raja Land, namely for the process of washing, chipping, drying, grinding, vacuum packaging and storage. The upgrading of machineries will enable our Group to cater for the increase in herbs harvested arising from the increased development and cultivation of herbs at the Pasir Raja Land.

The details for the upgrading of existing machineries are as follows:

Category of machineries	Type of upgrading works	Expected commencement and completion of upgrading works from the date of listing of the Rights Shares	Units	Total cost (RM)
Washing machineries	Upgrading of washing tank capacity	7 months / 12 months	5	100,000
Chipping machineries	Upgrading to enable finer chipping	7 months / 12 months	4	100,000
Drying machineries	Upgrading of drying capacity	7 months / 12 months	1	280,000
Grinding machineries	Upgrading to enable finer grinding	7 months / 12 months	2	130,000
Vacuum packaging machineries	Upgrading to enable automation of vacuum packaging	7 months / 12 months	1	90,000
Cool room (Storage)	Upgrading from current standalone freezer room to cool room and freezer room	7 months / 15 months	1	300,000
Total				<u>1,000,000</u>

Presently, we have available an aggregate storage space of approximately 5,000 square feet located in our production facilities located in Bangi and Semenyih, Selangor and our primary processing plant located in Pasir Raja, Terengganu, of which as at the LPD, 56.40% is occupied. Pursuant thereto, our management is of the opinion that there is sufficient storage space to cater for the increase in production of our Group's products arising from our improved production capabilities.

- (iii) Our Group is presently involved in the business of investing, developing and managing agricultural land for the cultivation of herbal plants as part of an initiative by the Government of Malaysia to boost the herbal agriculture industry. Our Group has been awarded with an aggregate of 1,298.1 acres of agriculture land through this initiative, of which 1,003.2 acres are located in Pasir Raja, Terengganu and the remaining 294.9 acres located in Desaru, Johor. The Pasir Raja Land and the Desaru Land have been first harvested since 2015 and 2012 respectively. As at the LPD, approximately 123.5 acres out of the 1,003.2 acres of the Pasir Raja Land and 100 acres out of the 294.9 acres of the Desaru Land have been fully planted since 2015 and 2014 respectively. Based on the plantation cycle of the planted area on the Pasir Raja Land and Desaru Land, the herb plants planted as at the LPD are 10% and 80% harvestable respectively.

The quantum of herbs harvested during the FYE 2015 and the FPE 30 September 2016 is as follows:

<u>Location</u>	<u>FYE 2015</u> (Tonnes)	<u>FPE 30 September 2016</u> (Tonnes)
Pasir Raja, Terengganu	0.12	43.72
Desaru, Johor	40.50	66.80
Total	40.62	110.52

Pasir Raja Land

Our management estimates the cost to put on stream the unplanted agricultural land located in Pasir Raja, Terengganu to be approximately RM10.0 million, of which approximately RM3.0 million will be utilised for land clearing costs, purchase of seeds and planting costs while the remaining RM7.0 million will be utilised as working capital for the extraction of herbs such as the purchase of extraction tools and materials, labour costs and utilities. Our Group proposes to utilise RM8.5 million of the proceeds raised from the Rights Issue with Warrants for this purposes and the remaining RM1.5 million required will be derived from internally generated funds. The types of herbs to be cultivated and harvested on the remaining 879.7 acres at the Pasir Raja Land include turmeric, ginger, tongkat ali, kacip fatimah, misai kucing, hempedu bumi and roselle. The remaining 879.7 acres of the Pasir Raja Land is expected to be fully planted in 2018 and maturing in 2020. The said remaining Pasir Raja Land is expected to be first harvested in the fourth quarter of 2017.

Desaru Land

Our management currently has no plans for the development and cultivation of the remaining Desaru Land measuring 194.9 acres within the next 2 years as our current focus is on the development and cultivation of the Pasir Raja Land. This increased focus on the development of the Pasir Raja Land was pursuant to our appointment by the ECERDC in 2014 to invest, develop and commercially manage the Pasir Raja Land.

- (iv) Our Group intends to utilise part of the proceeds raised from the Rights Issue with Warrants for general working capital purposes of our Group, including but not limited to payment of trade and other payables and other day-to-day expenses which include utilities, upkeep and maintenance and other administrative expenses. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. In addition, the actual amount to be utilised for each component of working capital may differ subject to the operating requirements at the time of utilisation. Any additional working capital required by our Group would be funded via our Group's internally-generated funds and/or bank borrowings.
- (v) The estimated expenses relating to the Rights Issue with Warrants comprises of professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertisement and other ancillary expenses. If the actual expenses incurred are higher/lower than budgeted, the deficit/surplus will be funded from/contributed to the portion allocated for working capital purposes.

The Company anticipates that the gross proceeds from the Rights Issue with Warrants shall be fully utilised for the above purposes within 18 months from the date of listing of the Rights Shares on the ACE Market of Bursa Securities.

Pending utilisation of the proceeds raised from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

The gross proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. For illustrative purposes only, the maximum gross proceeds that are expected to be raised upon the full exercise of Warrants is approximately RM29.33 million based on the Exercise Price of RM0.22 per Warrant. The gross proceeds to be raised from the exercise of Warrants will be utilised as additional working capital to finance our Group's day to day operations. The proceeds may be utilised to finance, amongst others, payment to trade and other creditors as well as general expenses such as utilities and office expenses, the breakdown of which have not been determined at this juncture.

5. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

After considering various available methods to raise funds, our Board is of the view that the Rights Issue with Warrants is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

- (i) it will allow our Company to raise capital without incurring interest costs as opposed to other means of financing, such as bank borrowings or the issuance of debt instruments;
- (ii) it will enable our Group to raise capital for the purposes set out in Section 4 of this AP, such as to fund our Group's launch of new products, capital expenditure, expansion of agriculture business operations and working capital, all of which are expected to contribute positively to our Group's future earnings and improve our Group's financial performance;
- (iii) it will involve the issuance of new Bioalpha Shares without diluting our Company's existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe to their respective entitlements and exercise their Warrants subsequently. The Undertakings and Additional Undertakings would allot the Undertaking Shareholders to extend their support for the Rights Issue with Warrants and facilitate our Group's fund-raising initiative;
- (iv) the Rights Issue with Warrants provides an opportunity for the Entitled Shareholders to increase their equity participation in our Company through the subscription of the Rights Shares and Warrants;
- (v) the Warrants, which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for their Rights Shares. They would also enable the Entitled Shareholders to benefit from the future growth of our Company and any potential capital appreciation arising from the exercise of the Warrants, depending on the future performance of Bioalpha Shares;
- (vi) the Warrants will enable our Company to raise further proceeds from the equity market as and when any of the Warrants are exercised while at the same time provide the Entitled Shareholders with the opportunity to increase their equity participation in our Company at a pre-determined price over the tenure of the Warrants; and
- (vii) the Warrants will mitigate the immediate dilutive impact on the EPS of our Company, which would otherwise arise from a full equity issue, as the Warrants will only be exercised over a period of time.

6. RISK FACTORS

6.1 Risks relating to our business

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

We use various brand names such as the "Nushine", "Apotec" and "Bioa" to package, advertise, distribute and sell our products. It is crucial to ensure protection of these brands and intellectual property rights in maintaining our distinctive corporate and market identities. If third parties sell products that use counterfeit versions of our brands or otherwise look like our brands, consumers may confuse our brands and products with third party products that they consider to be inferior. This could negatively impact our brand image and sales and in turn may result in a material adverse effect on our business and financial performance.

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

Additionally, we also produce some of our raw materials using our proprietary liquid fermentation technology. Access to such proprietary information is restricted to our Managing Director/ Chief Executive Officer and certain R&D personnel as well as the research partners whom we engaged to assist us in the development of such technology. With respect of this, we also seek to protect our proprietary information in part by having confidentiality and non-disclosure clauses in agreements with our employees and research partners. As at the LPD, we have filed a patent application for our proprietary liquid fermentation technology which is pending registration.

Nevertheless, there can be no assurance that we will be able to continue to protect our proprietary and intellectual property rights against infringement or unauthorised third party copying, use or exploitation, any of which may have an adverse impact on our business, operating results and financial condition. There can also be no assurance that third parties will not exploit these intellectual property rights in jurisdictions where our rights have not been registered or otherwise protected.

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

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

We are not, however, dependent on any specific research partner as the ownership of the technology developed belongs to our Group. In the event our arrangements with our research partners were to cease, we can identify and readily work with other institutions and/or experts based in Malaysia or overseas.

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

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

Our fermentation process of medicinal mushrooms is reliant on constant supply of utilities, namely electrical power and water. Entire production batches of fermented medicinal mushroom could be lost due to any significant or prolonged interruption in the supply of electrical power and water, which would in turn disrupt production. Increases in utility costs may also have an adverse effect on our profit margin and results of operations.

We have in place emergency systems such as back-up generators to facilitate continuous operations of our production facilities in the event of a temporary electrical power supply disruption. To date, we have not experienced any significant disruptions in our operations caused by utility supply disruptions. However, there can be no assurance that such events will not occur, and that if such event occurs, our operations and financial performance would not be materially or adversely affected.

6.1.4 Competition risks from existing players and potential entrance of new competitors

Although the health supplement sector in the pharmaceutical industry is niche in Malaysia, competition from existing players as well as the potential entrance of new competitors exists. Potential challenges arising from this includes (but is not limited to) efficiency of distribution channels, pricing, customer services and ability to develop new products to meet prevailing market demand. There can be no assurance that we will be able to compete effectively against our competitors in the future who may come up with better formulations at a competitive price. The aforementioned factors may have a material impact on the business and financial performance of our Group and that there are no assurances that the demand for our Group's products can be sustained.

Notwithstanding this, our Group's strategy is to constantly meet and improve on fulfilling customers' need and requirements as well as to utilise resources efficiently to remain competitive in this industry. Our Group has also taken considerable steps to ensure our products are competitively priced and of high quality aside from keeping abreast with the changing consumer preference and requirements.

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

As at the LPD, the Pasir Raja Land Sub-Lease has yet to be registered under the NLC, and our rights to occupy the Desaru Land is through the Joint Venture Agreement. If any adverse event occurs and affects our occupation of the Pasir Raja Land or the Desaru Land or if we are asked to vacate the premises, we will enforce our contractual rights under the Pasir Raja Land Sub-Lease and the Joint Venture Agreement respectively. This is opposed to having the assurance of a right to continued occupation for the entire duration of a formal registered sub-lease for the Pasir Raja Land or the Desaru Land respectively.

(i) Pasir Raja Land

We intend to register the Pasir Raja Land Sub-Lease pursuant to the NLC in order to further safeguard our registered interests as a sub-lessee under the NLC, in addition to our contractual rights under the Pasir Raja Land Sub-Lease. As at the LPD, we are working with ECERDC to effect the registration of the Pasir Raja Land Sub-Lease under the NLC.

There is no specific timeline or penalties stipulated under the NLC for the non-registration of the Pasir Raja Land Sub-Lease but non-registration of the same will result in our rights as sub-lessee being inferior compared to other persons having registered interests under the NLC in the Pasir Raja Land.

(ii) Desaru Land

As at the LPD, our rights to occupation or use of the Desaru Land is through the Joint Venture Agreement, wherein our joint venture partner, J-Biotech Herbal Sdn Bhd, had agreed to lease the Desaru Land to Bioalpha (Johor Herbal) Sdn Bhd (“BJHSB”), being the joint-venture company, for a period of 60 years as injection of capital into BJHSB.

As at the LPD, BJHSB has yet to enter into any formal lease agreement with the owner of the Desaru Land. As such, any factors such as changes in the relationship or viability of the joint venture or exposure to the risk of termination of the Joint Venture Agreement may consequently affect our rights to occupy or use the Desaru Land.

Nonetheless, we are working closely with J-Biotech Herbal Sdn Bhd and the owner of the Desaru Land to formalise the said lease. In the event our right to occupy the Desaru Land is denied, we will have legal recourse against J-Biotech Herbal Sdn Bhd for breach of terms of the Joint Venture Agreement.

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

In the event our right to occupy the Pasir Raja Land and the Desaru Land is denied, we do not expect our operations to be materially affected as the herbal plants harvested from our herb farms only constituted approximately 3.05% of our total raw materials purchased for the FYE 2015 and 13.46% for the FPE 30 September 2016. We can alternatively source these herbal plants from external suppliers/farmers.

6.2 Risks relating to the industry we operate in

6.2.1 We are faced with business risks inherent in the health supplement manufacturing industry

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

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

Aside from that, the brand image of our Company would also be negatively perceived by consumers and there would be a need to rebuild consumers' confidence to restore demands for our products. Negative public perception could also arise from regulatory investigations or product liability claims, regardless of whether those investigations involve us or whether any product liability claim is successful against us.

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

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

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

We are subject to risks inherent in herb farming, which include, but are not limited to, outbreaks of disease, damage from pests, fire or other natural disasters, adverse climate conditions and increase in labour costs. These events may in turn cause disruption in the supply of herbs for our herbal products manufacturing and result in a material adverse effect to our business, operations and financial performance to such extent we are unable to source alternative supplies of quality herbs on a timely basis.

We have a business development (agricultural) division, which is responsible for our herb farming activities and overall agricultural development including keeping abreast with the latest technologies related to herb farming, disease prevention and farm operations. However, there can be no assurance that such events can be contained or eliminated entirely and will not have a material adverse effect on our operations and financial performance.

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

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

Aside from that, political and economic conditions and development in Malaysia as well as other international markets in which we operate in could have a significant effect on the financial performance of our Group. Any adverse development or uncertainties in the above external factors could materially affect the financial condition and business prospects of our Group. These external factors include (but not limited to) expropriation, nationalisation, changes in political leadership and environment, global economic downturn, epidemic outbreaks, social unrests, changes in interest rates and accounting standards and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs and taxation method.

There can be no assurance that any changes to these regulatory, political, economic and social conditions will not have a material and adverse effect on the business and prospects of our Group. This is even if we continue to practice prudent financial management and efficient operating procedures aside from taking all possible measures to limit the impact of such risks to our business by closely monitoring the Government's master plan in respect of long-term economic and development policies so that our Group can stay ahead as well as capitalise on any regulatory changes in the industries that we operate.

6.3 Risks relating to the Rights Issue with Warrants

6.3.1 Investment risks

The market price of the Rights Shares to be issued pursuant to the Rights Issue with Warrants will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the liquidity of our Shares, the prospects and operating results of our Group and the future outlook of the industry in which our Group operates.

Shareholders should also consider carefully that each Warrants derives its value from giving its holder the rights to subscribe for new Bioalpha Shares at a pre-determined exercise price over the exercise period. The Warrants have a finite lifespan during which the holders can exercise the subscription rights attached to the Warrants.

There is no assurance that the market price of the Rights Shares, upon or subsequent to their listing, will remain at or above the issue price, or that the Rights Shares can be sold at or above the issue price.

6.3.2 Delay or failure in the implementation of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue with Warrants. Such events or circumstances include, inter alia, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership.

All proceeds arising from the Rights Issue with Warrants will be refunded without interest to the Entitled Shareholders and/or their renounees/transferees (if applicable) in the event the Rights Issue with Warrants is aborted and if such monies are not repaid within 14 days after it becomes liable, we will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the Capital Markets and Services Act 2007.

6.3.3 Potential dilution

Entitled Shareholders who do not or are not able to accept their entitlement in respect of the Rights Issue with Warrants will have their proportionate ownership and voting interests in our Company further reduced, and the percentage of the enlarged and paid-up share capital of Bioalpha represented by their shareholding in our Company will also be reduced accordingly.

Pursuant thereto, their proportionate entitlement to any dividend, rights, allotment, and/or other distribution that we may declare, make or pay will correspondingly be diluted.

6.4 Other risk

6.4.1 Forward-looking statements

This AP includes forward-looking statements. All statements other than statements of historical facts included in this AP, including without limitation, those regarding our financial position, business strategies, plans and objectives of our management for our future operations, are forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. However, you should note that these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our Group’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, *inter-alia*, general economic and business conditions, competitions, the impact of new laws and regulations affecting us and the industries we operate in, changes in interest rates and changes in foreign exchange rates.

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

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

7.1 Overview and outlook of the Malaysian economy

In 2015, global growth moderated amid heightened international financial market volatility. Throughout the year, the global economic and financial environment was shaped by three major developments. First, global commodity prices fell sharply to post-crisis lows, with significant repercussions for global growth and inflation. Second, international financial markets experienced heightened volatility amid policy shifts in the major economies and concerns over the slowing momentum of global growth, sovereign debt in the euro area, and the fall in commodity prices. Third, global growth moderated as the modest improvements in growth in the advanced economies were insufficient to offset the lower growth in emerging economies. Growth was also uneven across the advanced economies. Despite the challenging economic environment in 2015, the Malaysian economy registered a growth of 5.0%, supported by continued expansion in domestic demand.

The international economic and financial landscape is likely to remain challenging in 2016 and will be a key factor that will influence the prospects of the Malaysian economy. Depending on their nature, global developments can pose both upside and downside risks to the Malaysian economic growth. The Malaysian economy is expected to grow by 4.0 - 4.5% in 2016.

(Source: Bank Negara Malaysia Annual Report 2015)

In the third quarter of 2016, the global economy continued to experience moderate growth. The latest data pointed to modest economic activity in the advanced economies. In Asia, domestic demand remained an important source of growth amid persistent weakness in external demand. While pressures in the international financial markets receded following major central banks' easing actions, a number of important policy issues in major economies continued to pose uncertainties to global growth prospects. Amid subdued growth outlook and low inflation, several major and regional central banks increased the degree of monetary accommodation.

The Malaysian economy expanded by 4.3% in the third quarter of 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports. On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%).

Overall, domestic demand grew at a more moderate pace, as the sustained growth in private sector activity was more than offset by the slower growth in public spending. Private consumption grew by 6.4% (2Q 2016: 6.3%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1 July 2016. Private investment registered a growth of 4.7% in the third quarter (2Q 2016: 5.6%), supported primarily by continued capital spending in the services and manufacturing sectors. Growth of public consumption moderated to 3.1% during the quarter (2Q 2016: 6.5%) due to lower spending on supplies and services, which partially offset the higher spending on emoluments. Public investment growth contracted by 3.8% (2Q 2016: 7.5%), attributable mainly to lower spending on fixed assets by the Federal Government.

Looking ahead, overall global economic conditions will likely continue to be challenging, with subdued growth prospects despite unprecedented easing of monetary conditions in major and regional economies. The pace of expansion in the advanced economies is expected to remain modest, while in Asia, domestic demand will continue to underpin growth. Downside risks remain high, arising from the uncertainties over the timing and outcome of the United Kingdom-European Union negotiations following the United Kingdom's European Union referendum, persistence of low energy and commodity prices as well as possible disorderly market conditions arising from policy shifts in major economies. Against this backdrop, international financial market conditions will likely continue to be vulnerable to setbacks and changes in sentiments.

The Malaysian economy is expected to expand by 4-4.5% in 2016. Domestic demand, particularly private sector activity will continue to be the key driver of growth. Private consumption is expected to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to increase disposable income. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. On the external front, export growth is expected to remain weak following subdued demand from Malaysia's key trading partners. Overall, while domestic conditions remain resilient, uncertainties in the external environment may pose downside risks to Malaysia's growth prospects.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2016, Bank Negara Malaysia published on 11 November 2016)

7.2 Overview and prospects of the health supplement industry and market in Malaysia

In 2015, the health supplement manufacturing industry in Malaysia rose to RM997.30 million. Smith Zander forecasts the health supplement manufacturing industry in Malaysia to grow to RM1.38 billion by 2018, representing a CAGR of 11.54% between 2016 and 2018. This is driven by the increasing income of the population, rapid urbanisation 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.

Moving forward, the industry is expected to be driven by the increasing income of the population. Malaysia is an upper-middle income developing economy with aspirations to achieve developed status by the year 2020. Gross domestic product per capita increased by 25.9% from approximately RM28,733 in 2010 to RM37,324 in 2015. The Economic Transformation Program (2011-2020) was launched in an effort to promote Malaysia into an inclusive and sustainable high-income country by the year 2020, with the goal of raising the per capita disposable income of the population to approximately RM48,000 by 2020. 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.

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. Overall, the total population has been forecasted to reach 31.7 million persons in 2016, with the average age of the population in Malaysia increasing over the years. Malaysia's percentage of young population (0 to 14 years) in the country has decreased from 27.4% in 2010 to 25.0% in 2015 (forecast 2016: 24.5%) while its ageing population (65 years and above) has increased from 5.0% of the total population in 2010 to 5.9% of the total population in 2015 (forecast 2016: 6.0%). 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. 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 64 years) comprise the largest proportion in the country, i.e. 69.1% in 2015, 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.

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 above, where it represents the revenues earned from the manufacturing of health supplements by local industry players.

The health supplement market in Malaysia has demonstrated positive growth over the last seven (7) years, from RM2.64 billion in 2009 to RM3.72 billion in 2015, representing a CAGR of 5.88% or an overall growth of 40.91% in seven (7) years.

Moving forward, the health supplement market in Malaysia is estimated to grow to RM3.95 billion in 2016, and reach RM4.46 billion by 2018. The health supplement market in Malaysia is forecast to grow at a CAGR of 6.26% between 2016 and 2018.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated 15 November 2016 prepared by Smith Zander)

7.3 Overview and prospects of the health supplement market in Indonesia

The health supplement market in Indonesia grew from USD721.16 million (RM2.54 billion¹) in 2009 to USD1.49 billion (RM5.82 billion²) in 2015, registering a CAGR of 12.85% during 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 is also in line with the rising urbanisation within the country. Indonesia's population in 2014 was 252.2 million persons and the percentage of urban population within the country was approximately 53.00% during the same time period, translating to about 133.7 million persons in urban areas. Indonesia's large population and strong internal consumption indicates rising market potential for health supplement products.

Moving forward, the health supplement market in Indonesia is estimated to grow to USD1.68 billion (RM6.89 billion³) in 2016, and reach USD2.13 billion (RM8.74 billion⁴) by 2018. The health supplement market in Indonesia is forecast to grow at a CAGR of 12.70% between 2016 and 2018.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated 15 November 2016 prepared by Smith Zander)

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¹ Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236

² Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073

³ Exchange rate from USD to RM in 2016 was converted based on average exchange rates between 1 January 2016 and 15 November 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1016

⁴ Exchange rate from USD to RM in 2018 was converted based on average exchange rates between 1 January 2016 and 15 November 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1016

7.4 Overview and prospects of the health supplement market in China

The health supplement market in China, measured by retail value of health food, grew from USD13.34 billion (RM47.01 billion¹) in 2009 to USD92.79 billion (RM362.57 billion²) in 2015, registering a strong CAGR of 38.16%. China currently dominates the global health supplement market as it is the fastest growing geographical region. Chinese consumers are health conscious and are willing to pay a premium price for quality and health-based products. The health supplement market in China is experiencing robust growth as it is not as mature as other major markets such as the United States of America. A rapidly ageing population, increasing urbanisation, growing disposable income and changing lifestyles are factors which contribute to the increased consumption of health supplements and functional foods in China.

Moving forward, the health supplement market in China is estimated to grow to USD124.32 billion (RM509.91 billion³) in 2016, and reach USD221.57 billion (RM908.79 billion⁴) by 2018. The health supplement market in China is forecast to grow at a CAGR of 33.50% between 2016 and 2018.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China dated 15 November 2016 prepared by Smith Zander)

7.5 Overview and prospects of the herbal plant cultivation industry in Malaysia

Over the past 5 years, the herbal plant cultivation industry in Malaysia has been growing, with production volume of herbal plants increasing from 41,380 metric tonnes in 2011 to 70,172 metric tonnes in 2015. The volume of herbal plants produced registered a CAGR of 14.12% during the period.

The Ministry of National Resources and Environment estimates the market for herbal plants to expand by 15.00% from RM7.0 billion in 2010 to reach RM29.0 billion in 2020. Herbal plant cultivation in Malaysia is expected to be driven by the growing health supplement market in both Malaysia and global markets. As mentioned in Sections 7.1, 7.2, 7.3 and 7.4 of this AP above, the prospects for growth of demand for health supplements are positive, owing to the healthy long-term economic growth, growing ageing society, overall increased health awareness and/or government initiatives, incentives and grants.

(Source: Independent Market Research Report on the Health Supplement Manufacturing Industry in Malaysia, Health Supplement Market in Indonesia and Health Supplement Market in China, dated 15 November 2016 prepared by Smith Zander)

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¹ Exchange rate from USD to RM in 2009 was converted based on average annual exchange rates in 2009 extracted from published information from Bank Negara Malaysia at USD1 = RM3.5236

² Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073

³ Exchange rate from USD to RM in 2016 was converted based on average exchange rates between 1 January 2016 and 15 November 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1016

⁴ Exchange rate from USD to RM in 2018 was converted based on average exchange rates between 1 January 2016 and 15 November 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1016

7.6 Future prospects of our Group

Presently, our Group is an integrated health supplement provider which has the capabilities to produce raw materials used in its production processes, formulate and manufacture our own products which qualify for halal certification and commercialise our products via its sale under the banner of the in-house "Constant" pharmacy as well as other third-party pharmacies. In addition, a portion of our Group's business operations includes that of acting as an original equipment manufacturer. This involves the manufacturing and/or product packing of products which are developed by our customers. In this process, the ingredients, supplies and consumables used in this manufacturing process could be sourced by our Group or provided by the customer. As at LPD, our production facilities are located in Bangi, Selangor (which has an aggregate built-up area of approximately 13,737 square feet) while our primary processing plant is located in Pasir Raja, Terengganu (and has a built-up area of approximately 4,500 square feet). Our Group's new production facility to be commissioned located in Kampar, Riau, Indonesia (which has an aggregate built-up area of approximately 5,000 square feet) is expected to commence operations within 1 month from obtaining the necessary licences from the relevant approving authorities. The said licence applications were submitted in July 2016 and are currently being processed by the relevant approving authority.

The aggregate production capacity and utilisation rates for the manufacturing of our health supplement products as at 31 December 2014, 31 December 2015 and as at 30 September 2016 are as follows:

Production line	Description	Estimated annual production capacity as at 31 December 2014		Utilisation rates for the FYE 2014		Estimated annual production capacity as at 31 December 2015		Utilisation rates for the FYE 2015		Estimated 9-month production capacity as at 30 September 2016		Utilisation rates for the FPE 30 September 2016	
		Units	%	Units	%	Units	%	Units	%	Units	%		
Bioreactor (fermentation)	Apparatus involved in the liquid fermentation of medicinal mushrooms	(1)9,125	36.82	(1)9,125	76.33	(1)6,825	48.50						
Sachet (liquid and powder)	Machinery involved in measuring, sieving, separating, filtering and filling of liquid and powdered mixes into sachets	(2)8,985,600	56.37	(2)8,985,600	50.79	(2)6,739,200	40.63						
Bottle (liquid)	Machinery involved in the filling and capping of bottles	(2)1,497,600	35.74	(2)1,497,600	28.47	(2)1,123,200	26.71						
Encapsulation (bottle and blister pack)	Machinery involved in the filling, counting and blister packing capsules	(2)31,449,600	10.79	(2)31,449,600	35.02	(2)23,587,200	30.99						

Production line	Description	Estimated annual production capacity as at 31 December 2014		Utilisation rates for the FYE 2014		Estimated annual production capacity as at 31 December 2015		Utilisation rates for the FYE 2015		Estimated 9-month production capacity as at 30 September 2016		Utilisation rates for the FYE 2016	
		Units	%	Units	%	Units	%	Units	%	Units	%		
Teabag	Machinery involved in manufacturing products in teabag packaging forms	(²)7,488,000	48.91	(²)7,488,000	15.09	(²)5,616,000	18.08						
Tablet	Machinery involved in tableting, tablet hardness testing and tablet pressing	(³)31,261,500	91.38	(²)50,018,400	21.28	(²)37,513,800	60.15						

Notes:

- (1) Based on 5 days processing time per batch of fermented medicinal mushroom.
- (2) Based on an 8 hour shift over a 6 working day week.
- (3) An additional production line was commissioned in July 2014.

In addition, research and development represents an important factor towards our efforts in formulating new products, maintaining sustainable business growth, improvements in earnings, maintaining competitiveness and expansion of markets. As at the LPD, our Group has in place a research and development team comprising of 8 personnel comprising of a scientist, 2 registered chemists, a registered pharmacist, 2 nutritionists and 2 registered biotechnologists. The research and development expenditure (which includes research and development staff costs but excludes research and development expenses reimbursable by grants¹) incurred by our Group for the past 3 FYE 2013 to 2015 and the 9-month FPE 30 September 2016 are as follows:

	FYE 2013	FYE 2014	FYE 2015	FPE 30 September 2016
	RM'000	RM'000	RM'000	RM'000
Research and development expenditure	4,755	3,516	6,234	7,876
Percentage of revenue (%)	19.35	12.97	20.98	25.44

Based on our audited financial statements for the FYE 2015, our Group has generated 21.07% of its revenue from the Malaysian market, while the Indonesian and Chinese market had contributed 48.50% and 28.02% respectively. We derived the remaining revenue for the FYE 2015 from the sales of our Group's products to other countries, namely Singapore and Taiwan.

¹ These consist of grants as at the LPD which were awarded by the Government of Malaysia under the National Key Economic Area Agricultural Scheme in 2012 and Malaysian Biotechnology Corporation Sdn Bhd under its Biotechnology Commercialisation Fund in 2013.

Our Group's products comply with the requirements for Halal certification from the Jabatan Kemajuan Islam Malaysia, allowing it to tap into the potential in Muslim populations. Moving forward, our Group intends to continue its focus on the Indonesian market as its core overseas market. Based on a market study conducted by the Company, the health supplement industry in Indonesia is anticipated to grow in tandem with the increasing middle income population in the country. Our Group intends to launch 12 new products to the Indonesian market over the next 18 months, focusing on products which enhance aesthetics and are diet-related in nature.

In addition, our Group intends to supplement its revenue derived from overseas markets by further strengthening our footing in the Chinese market. Presently, our products are sold in southern China, mainly in Guangzhou and Shenzhen. Our Group intends to target the provinces in western China, such as Xinjiang, Qinghai, Shaanxi and Gansu, which have a Muslim majority population and which the demand for Halal certified health supplement products have been increasing. In order to capitalise on this increase in demand, our Group intends to launch 5 new products over the next 12 months, focusing on functional food products which improve the immune system, respiratory functions and general health.

Our Group is also focused on the local health supplement industry in Malaysia. The acquisition of Mediconstant Holding Sdn Bhd, which was completed on 21 January 2016, had provided our Group with an alternative avenue for the sales of its products. In view of providing a more comprehensive range of products to its customers, our Group intends to launch 10 new products over the next 18 months to the Malaysian market. These new products would focus on the improvement of general health, immune system, respiratory functions and anti-ageing purposes.

Our Group has estimated that the launch of the abovementioned new products will require approximately RM13.50 million which will be fully funded through the proceeds to be raised from the Rights Issue with Warrants.

In addition to the above, our Group will also continue its efforts to develop the Pasir Raja Land following our Group's appointment by the ECERDC in 2014. The development of the Pasir Raja Land was divided into 2 phases, the first phase being the development of 123.5 acres while the second phase being the development of the remaining 879.7 acres. The total cost for putting on stream phase 1 was RM3.80 million, and was completed during the FYE 2015. The cost to put on stream phase 2 is estimated to be RM10.0 million. Our Group had on January 2016 commenced land clearing for phase 2 of the Pasir Raja Land. Phase 2 of the Pasir Raja Land is expected to be fully planted in 2018 and maturing in 2020. The said remaining Pasir Raja Land is expected to be first harvested in the fourth quarter of 2017. Through this initiative, our Group is able to monitor the availability of raw materials available to minimise disruptions in our production cycle.

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8. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

For illustrative purposes, the effects of the Rights Issue with Warrants on our share capital, NA per share, gearing, and EPS are set out below.

8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue with Warrants on the issued and paid-up share capital of Bioalpha are as follows:

	No. of shares	RM
Issued and paid-up share capital as at the LPD	666,665,655	33,333,283
Rights Shares to be issued pursuant to the Rights Issue with Warrants	133,333,131	6,666,656
After the Rights Issue with Warrants	799,998,786	39,999,939
New Bioalpha Shares to be issued arising from the full exercise of the Warrants	133,333,131	6,666,656
Issued and paid-up share capital after the full exercise of the Warrants	933,331,917	46,666,595
New Bioalpha Shares to be issued upon full exercise of the Options ⁽¹⁾	279,999,575	13,999,979
Enlarged issued and paid-up share capital	1,213,331,492	60,666,574

Note:

- (1) The aggregate new Bioalpha Shares to be issued upon full exercise of the Options amounts to 30% of the issued and paid-up share capital of our Company (excluding treasury shares) at any one time. It is the intention of the Board to implement the Share Issuance Scheme after the completion of the Rights Issue with Warrants.

The Warrants to be issued pursuant to the Rights Issue with Warrants will not have an immediate effect on the issued and paid-up share capital of our Company. However, the issued and paid-up capital of Bioalpha will increase progressively depending on the number of new Bioalpha Shares to be issued pursuant to the exercise of the Warrants, if any.

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8.2 NA per share and gearing

The Share Issuance Scheme is not expected to have an immediate effect on the NA per Share and gearing of our Group until such time when the options granted pursuant to the Share Issuance Scheme are exercised. The effects on the NA per Share and gearing of our Group will depend on, amongst others, the exercise price and the number of new Bioalpha Shares to be issued and allotted upon the exercise of the options granted pursuant to the Share Issuance Scheme and the potential effect on the future earnings of our Group arising from the adoption of the Malaysian Financial Reporting Standard 2 – Share-based Payment (“MFRS 2”) as set out in Section 8.3 of this AP.

The pro forma effects of the Rights Issue with Warrants and Share Issuance Scheme on the audited NA of our Group based on its latest audited consolidated financial statement as at 31 December 2015 is set out below:

	Audited as at 31 December 2015 (RM)	(I) Subsequent events ⁽¹⁾ (RM)	(II) After (I) and the Rights issue with Warrants (RM)	(III) After (II) and assuming full exercise of the Warrants (RM)	(IV) After (III) and the full granting of Options (RM)	(V) After (IV) and the full exercise of Options (RM)
Share capital	23,170,656	⁽²⁾ 33,333,283	39,999,939	⁽⁶⁾ 46,666,595	46,666,595	⁽⁸⁾ 60,666,574
Share premium	24,361,905	⁽³⁾ 24,566,535	⁽⁴⁾ ⁽⁵⁾ 27,057,963	⁽⁶⁾ 66,577,904	66,577,904	⁽⁸⁾ 149,821,778
Merger deficits	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)
Warrants reserves	-	-	⁽⁴⁾ 16,853,308	-	-	-
Option reserves	-	-	-	-	⁽⁷⁾ 35,643,946	-
Retained earnings	36,439,983	36,439,983	36,439,983	36,439,983	796,037	796,037
Shareholders' funds / NA	79,003,414	89,370,671	115,382,063	144,715,352	144,715,352	206,315,259
No. of Bioalpha Shares in issue	463,413,114	666,665,655	799,998,786	933,331,917	933,331,917	1,213,331,492
NA per Bioalpha Share (RM)	0.17	0.13	0.14	0.16	0.16	0.17
Total borrowings (RM)	1,932,085	4,471,577	4,471,577	4,471,577	4,471,577	4,471,577
Gearing (times)	0.02	0.05	0.04	0.03	0.03	0.02

Notes:

- (1) After the acquisition of Mediconstant Holding Sdn Bhd which was completed on 21 January 2016, private placement of 17,718,962 Bioalpha Shares at an issue price of RM0.33 per Bioalpha Share which was completed on 12 February 2016 and the Bonus Issue which was completed on 13 September 2016.
- (2) After accounting for the issuance of 18,867,924 Bioalpha Shares as full consideration for the acquisition of Mediconstant Holding Sdn Bhd at an issue price of RM0.265 per Bioalpha Share, the issuance of 17,718,962 Bioalpha Shares pursuant to the private placement of Bioalpha Shares at an issue price of RM0.33 per Bioalpha Share and the issuance of 166,665,655 new Bioalpha Shares pursuant to the Bonus Issue.
- (3) After deducting RM130,000 for expenses relating to the acquisition of Mediconstant Holding Sdn Bhd, RM150,000 for expenses relating to the private placement of Bioalpha Shares and RM200,000 for expenses relating to the Bonus Issue.
- (4) After accounting for the issuance of 133,333,131 Rights Shares and the warrants reserve based on the issuance of 133,333,131 Warrants. The fair value of the Warrants is assumed to be approximately RM0.1264 per Warrant estimated using the Black-Scholes options pricing model.
- (5) After deducting RM655,234 for expenses relating to the Rights Issue with Warrants.
- (6) After accounting for the issuance of 133,333,131 new Bioalpha Shares arising from the exercise of Warrants.
- (7) After accounting for the granting of 279,999,575 Options. The fair value of the said Options is assumed to be approximately RM0.1273 per option estimated using the Black-Scholes options pricing model.
- (8) After accounting for the issuance of 279,999,575 new Bioalpha Shares arising from the exercise of the Options. The Options are assumed to be exercised at an indicative exercise price of RM0.22 per option, being a 6.46% discount to the 5-day VWAMP of RM0.2352 per Bioalpha Share up to and including 17 November 2016.

8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have a material effect on the earnings of our Group for the financial year ending 31 December 2016 as the Rights Issue with Warrants is only expected to be completed by the first quarter of 2017. Proceeds to be raised are expected to be utilised within 18 months from the completion date of the Rights Issue with Warrants.

The effect of the Rights Issue with Warrants on the future earnings of our Group will depend on the eventual returns derived from the utilisation of proceeds, as described in Section 4 of this AP.

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Purely for illustrative purposes only, based on the consolidated financial statements of our Group for the FYE 2015, the pro forma effects of the Rights Issue with Warrants and Share Issuance Scheme on the basic and diluted EPS of Bioalpha are as set out as follows:

	(I) Audited as at 31 December 2015 (RM)	(II) Subsequent events ⁽¹⁾ (RM)	(III) After (I) and the Rights Issue with Warrants (RM)	(IV) After (II) and assuming full exercise of the Warrants (RM)	(V) After (III) and the full granting of Options (RM)	(VI) After (IV) and the full exercise of Options (RM)
Profit attributable to the owners of the Group	6,796,465	(1)6,222,013	6,222,013	6,222,013	6,222,013	(6) 6,222,013
Number of Shares in issue	463,413,114	(2)666,665,655	799,998,786	933,331,917	933,331,917	1,213,331,492
Number of Warrants in issue	-	-	133,333,131	-	-	-
Number of Options in issue	-	-	-	-	279,999,575	-
Basic EPS (sen) ⁽³⁾	1.47	0.93	0.78	0.67	0.67	0.51
Diluted EPS (sen) ⁽⁴⁾	(5)N/A	(5)N/A	0.67	(5)N/A	0.51	(5)N/A

Notes:

N/A Not applicable.

(1) After accounting for the loss after taxation of Mediconstant Holding Sdn Bhd for the FYE 2015 of RM574,452.

(2) After accounting for the issuance of 18,867,924 Bioalpha Shares as full consideration for the acquisition of Mediconstant Holding Sdn Bhd, the issuance of 17,718,962 Bioalpha Shares via private placement and the issuance of 166,665,655 Bioalpha Shares pursuant to the Bonus Issue.

(3) Calculated based on the profit for the year for the FYE 2015 divided by the total number of Bioalpha Shares.

(4) Calculated based on the profit for the year for the FYE 2015 divided by the total number of Bioalpha Shares, adjusted for the effects from the exercise of Warrants and Options.

(5) There is no other potential dilutive effect on Bioalpha Shares save for the exercise of Warrants and Options, of which are captured under the basic EPS computation.

(6) The Options are expected to be granted in tranches over the tenure of the Share Issuance Scheme. The extent of the impact of the Share Issuance Scheme on the consolidated earnings arising from the application of the MFRS 2 for each financial year is subject to the number of Options to be granted each tranche and also the various factors affecting the fair value of the Options at the grant date.

8.4 Substantial shareholders' shareholdings

The effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders of our Company are as follows:

Scenario 1 – Assuming the Undertakings and Additional Undertakings are called upon and that all other shareholders save for the Undertaking Shareholders will not subscribe for their respective entitlement of Rights Shares

Substantial shareholders	As at 1 December 2016			(I) After the Rights Issue with Warrants			(II) After (I) and assuming full exercise of the Warrants		
	Direct No. of Bioalpha Shares	%	Indirect No. of Bioalpha Shares	Direct No. of Bioalpha Shares	%	Indirect No. of Bioalpha Shares	Direct No. of Bioalpha Shares	%	Indirect No. of Bioalpha Shares
Hon Tian Kok @ William	125,379,540	18.81	-	169,510,305	21.19	-	213,641,070	22.89	-
MTDC	107,203,892	16.08	-	107,203,892	13.40	-	107,203,892	11.49	-
PNS	68,755,505	10.31	-	157,957,871	19.74	-	247,160,237	26.48	-

Scenario 2 – Assuming that all entitled shareholders will subscribe for their respective entitlement of Rights Shares

Substantial shareholders	As at 1 December 2016			(I) After the Proposed Rights Issue with Warrants			(II) After (I) and assuming full exercise of the Warrants		
	Direct No. of Bioalpha Shares	%	Indirect No. of Bioalpha Shares	Direct No. of Bioalpha Shares	%	Indirect No. of Bioalpha Shares	Direct No. of Bioalpha Shares	%	Indirect No. of Bioalpha Shares
Hon Tian Kok @ William	125,379,540	18.81	-	150,455,448	18.81	-	175,531,356	18.81	-
MTDC	107,203,892	16.08	-	128,644,671	16.08	-	150,085,450	16.08	-
PNS	68,755,505	10.31	-	82,506,606	10.31	-	96,257,707	10.31	-

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the banking facilities available, and the proceeds from the Rights Issue with Warrants, our Group will have adequate working capital to meet our business requirements for a period of 12 months from the date of issuance of this AP.

9.2 Borrowings

As at the LPD, our Group has a total outstanding borrowing of approximately RM3.55 million, which is interest-bearing from local financial institutions. The details of the total outstanding borrowing (which have not been audited) are as follows:

	As at LPD RM'000
Short-term borrowings:	
- Finance leases	154
- Banker's acceptance	200
- Term loans	344
	<u>698</u>
Long-term borrowings:	
- Finance leases	112
- Term loans	2,712
	<u>2,824</u>
Total borrowings	<u>3,522</u>

As at the LPD, our Group does not have any non-interest bearing borrowings from local financial institutions and interest or non-interest bearing borrowings from foreign financial institutions.

To the best knowledge of our Board, there has not been any default on payments of either interests or principal sums by our Group, in respect of the borrowings during the FYE 2015 and for the subsequent financial period up to the LPD.

9.3 Contingent liabilities

As at the LPD, our Board is not aware of any other contingent liabilities incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/position of our Group.

9.4 Material commitments

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the profits or NA of our Group:

	Unaudited As at the LPD RM'000
Authorised and contracted for: Property, plant and equipment	<u>4,500</u>

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION

10.1 General

The Provisional Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in such Provisional Rights Shares with Warrants will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s) (if applicable) are required to have valid and subsisting CDS accounts when making applications to subscribe for the Rights Shares with Warrants.

If you are an Entitled Shareholder, your CDS account will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants.

If you are an Entitled Shareholder (other than an Authorised Nominee who has subscribed for NRS), you will find enclosed with this AP the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS account and the RSF to enable you to subscribe for such Rights Shares with Warrants provisionally allotted to you, as well as to apply for Excess Rights Shares with Warrants if you choose to do so.

Full instructions for the acceptance of and payment for the Provisional Rights Shares with Warrants allotted to you and/or your renounee(s) and/or transferee(s) (if applicable) and the procedures to be followed are set out in this AP and the accompanying RSF. You are advised to read this AP, the RSF and the notes and instructions contained therein carefully.

If you are an Authorised Nominee who have subscribed for NRS with Bursa Depository, an electronic copy of this AP and the Rights Issue Entitlement File will be transmitted to you electronically by Bursa Depository through its existing network facility with the Authorised Nominees. Please refer to Sections 10.4.4 and 10.7.4 of this AP for the procedures for acceptance as well as to apply for Excess Rights Shares with Warrants, if you choose to do so.

Acceptances which do not strictly conform to the terms and conditions as well as the notes and instructions contained herein, or which may be illegible may not be accepted at the absolute discretion of our Board. Late applications will not be accepted.

10.2 Last date and time for acceptance and payment

Last date and time for the sale of : Friday, 16 December 2016 at 5.00 p.m.
Provisional Rights Shares with Warrants

Last date and time for the transfer of : Wednesday, 21 December 2016 at 4.00 p.m.
Provisional Rights Shares with Warrants

Last date and time for acceptance and : Tuesday, 27 December 2016 at 5.00 p.m.
payment

Last date and time for excess application : Tuesday, 27 December 2016 at 5.00 p.m.
and payment

Our Board and Adviser may decide at their absolute discretion, to extend the last date and time for acceptance, application for Excess Rights Shares with Warrants and payment to any later time and/or date. Any such extension, if any, will be announced not less than two (2) Market Days before the stipulated date and time.

10.3 Methods of application

You may subscribe for such number of Provisional Rights Shares with Warrants allotted to you as well as to apply for Excess Rights Shares with Warrants, if you so choose, using either of the following methods:

Method of application	Category of Entitled Shareholders
RSF ⁽¹⁾	All Entitled Shareholders
Electronic Application ⁽²⁾ or Internet Application ⁽³⁾	All Entitled Shareholders
NRS	Authorised Nominees who have subscribed for NRS

Notes:

- (1) A copy of the RSF will be enclosed together with this AP. The RSF is also available on the website of Bursa Securities (www.bursamalaysia.com).
- (2) The following surcharge per Electronic Application will be charged by the Participating Financial Institution:
- (i) Public Bank Berhad – RM4.24 (inclusive of 6% GST); and
 - (ii) Affin Bank Berhad – RM4.24 (inclusive of 6% GST).
- (3) The following processing fee per Internet Application will be charged by the respective Internet Participating Financial Institution:
- (i) Public Bank Berhad (www.pbepbank.com) – RM4.24 (inclusive of 6% GST); and
 - (ii) Affin Bank Berhad (www.affinbank.com.my) – RM4.24 (inclusive of 6% GST).

10.4 Procedures for acceptance and payment**10.4.1 By way of RSF**

If you wish to accept your entitlement to the Provisional Rights Shares with Warrants, either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions provided therein. Send each completed and signed RSF with the relevant payments in the reply envelope enclosed with this AP, by the mode of despatch of your choice (at your own risk) to our Share Registrar at the following address:

DELIVERY BY HAND AND/OR COURIER:

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

ORDINARY POST:

Symphony Share Registrars Sdn Bhd
Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

Tel no: (603) 7849 0777
Fax no: (603) 7841 8151/ 8152

so as to arrive **not later than 5.00 p.m. on Tuesday, 27 December 2016**, being the last time and date for acceptance and payment, or such later time and date as may be decided and announced by our Board and Adviser at their absolute discretion not less than two (2) Market Days before the stipulated time and date.

One (1) RSF can only be used for acceptance of Provisional Rights Shares with Warrants standing to the credit of one (1) CDS account. Separate RSFs must be used for separate CDS account(s). The Rights Shares with Warrants subscribed by you in accordance with the procedures set out in the RSF will be credited into the respective CDS accounts where the Provisional Rights Shares with Warrants are standing to the credit.

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You should take note that a trading board lot for the Rights Shares and Warrants comprises one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Successful applicants of the Rights Shares will be given the free attached Warrants on the basis of one (1) Warrant for every one (1) Rights Share successfully subscribed for. The minimum number of Rights Shares that can be accepted is one (1) Rights Share.

If acceptance and payment for the Provisional Rights Shares with Warrants (whether in full or in part) is not received by our Share Registrar by **5.00 p.m. on Tuesday, 27 December 2016**, being the last time and date for acceptance and payment, or such later time and date as may be decided and announced by our Board and Adviser at their absolute discretion not less than two (2) Market Days before the stipulated time and date, you will be deemed to have declined the Provisional Rights Shares with Warrants made to you and it will be cancelled. Such Rights Shares and Warrants not taken up will be allotted to the applicants applying for Excess Rights Shares with Warrants, if the Rights Shares with Warrants are not fully taken up by such applicants in the manner as set out in Section 10.7 of this AP.

If you lose, misplace or for any other reasons require another copy of the AP and/or the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at www.bursamalaysia.com or our Share Registrar at the address stated above or our Registered Office.

Each completed RSF must be accompanied by remittance in RM for the full and exact amount payable for the Rights Shares accepted, in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia crossed "**ACCOUNT PAYEE ONLY**" and made payable to "**BIOALPHA RIGHTS SHARES ACCOUNT**" and endorsed on the reverse side with the name and CDS account of the applicant in block letters to be received by our Share Registrar.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES AND WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THEM AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT THE RSF SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASONS.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

Notification on the outcome of your application for the Provisional Rights Shares with Warrants will be despatched to you by ordinary post to the address as shown in Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Provisional Rights Shares with Warrants; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Provisional Rights Shares with Warrants.

If you have provided your bank account information to Bursa Depository for purposes of cash dividend/distribution, the refund will be credited directly into that bank account. For this purpose, you are required to provide your consent via the RSF in accordance with the relevant laws of Malaysia, including Section 134 of the Financial Services Act 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institutions, their respective agents and any third party who may be involved in facilitating the payment of refund to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refund or for any other purpose in connection with such payments.

If the crediting of the refund into that bank account (details of which have been provided to Bursa Depository) is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.4.2 By way of Electronic Application

Only individuals who are Entitled Shareholders may subscribe for the Provisional Rights Shares with Warrants by way of Electronic Application.

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Electronic Application and the procedures set out at the ATMs of the Participating Financial Institution before making an Electronic Application.

(i) Steps for Electronic Applications through a Participating Financial Institution's ATM

The procedures for Electronic Applications at the ATMs of the Participating Financial Institution are set out on the ATM screens of the relevant Participating Financial Institution ("**Steps**"). For illustration purposes, the procedures for Electronic Applications at ATMs are set out below. The Steps set out the actions that you must take at the ATM to complete an Electronic Application. Please read carefully the terms of this AP, the Steps and the Terms and Conditions for Electronic Applications set out below before making an Electronic Application.

- (a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one Participating Financial Institution cannot be used to apply for the Rights Shares with Warrants at an ATM belonging to another Participating Financial Institution;

- (b) You are advised to read and understand this AP **BEFORE** making the application; and
- (c) You shall apply for the Provisional Rights Shares with Warrants via an ATM of the Participating Financial Institution by choosing the Electronic Application option. Mandatory statements required in the application are as set out in Section 10.4.2(iii) of this AP. You are advised to follow the instructions on the ATM screen and, when required to do so, you shall:
- Enter your personal identification number ("**PIN**");
 - Select Bioalpha Rights Shares Account;
 - Enter your CDS Account number;
 - Enter the number of Rights Shares with Warrants applied for and/or the RM amount to be debited from the account;
 - Enter your current contact number (for e.g. your mobile phone number); and
 - Confirm several mandatory statements.

Upon the completion of your Electronic Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by our Company or our Share Registrar. The Transaction Record is for your record and is not required to be submitted with your application.

You must ensure that you use the number of the CDS Account held in your name when making an Electronic Application. If you operate a joint bank account with any of the Participating Financial Institution, you must ensure that you enter the number of the CDS Account held in your name when using an ATM card issued to you in your name. Your application will be rejected if you fail to comply with the foregoing.

(ii) Participating Financial Institutions

Electronic Applications may be made through an ATM of the following Participating Financial Institutions and their branches within Malaysia:

- Public Bank Berhad; and
- Affin Bank Berhad

(iii) Terms and conditions of Electronic Applications

The Electronic Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Participating Financial Institutions and those appearing herein:

- (a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:
- (1) You have attained 18 years of age as at the last day for application and payment;
 - (2) You have read this AP and understood and agreed with the terms and conditions of the application;
 - (3) You authorise the Participating Financial Institution with which you have a bank account to deduct the full amount payable for the Rights Shares with Warrants (including the processing fee as mentioned in Section 10.3 (Note 2) of this AP) from your bank account; and

- (4) You hereby give consent to our Company, Bursa Depository, our Share Registrar, the relevant Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the application/ refund.

Your 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 Participating Financial Institution. By doing so, you shall have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act 2013 and Section 45(1)(a) of the SICDA, to the disclosures as described above.

- (b) You confirm that you are not applying for the Provisional Rights Shares with Warrants as a nominee of any other person and that any Electronic Application that you make is made by you as the beneficial owner.
- (c) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application, which does not strictly conform to the instructions set out on the screen of the ATM through which the Electronic Application is being made, will be rejected.
- (d) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares with Warrants applied for as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Provisional Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

Should you encounter any problem in your Electronic Application, please refer to the Participating Financial Institution.

- (e) By making and completing your Electronic Application, you, if successful, request and authorise our Company to credit the Rights Shares with Warrants allotted to you into your CDS Account.
- (f) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Participating Financial Institution or Bursa Depository and irrevocably agree that if:
- (1) our Company, our Share Registrar or Bursa Depository does not receive your Electronic Application; or
 - (2) data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Participating Financial Institution or Bursa Depository for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

- (g) All of your particulars, including your nationality and place of residence, in the records of the relevant Participating Financial Institution at the time you make your Electronic Application shall be true and correct, and our Company, our Share Registrar, the relevant Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.
- (h) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address, failing which, the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.
- (i) By making and completing an Electronic Application, you agree that:
 - (1) in consideration of our Company agreeing to allow and accept your subscription for the Provisional Rights Shares with Warrants via the Electronic Application facility established by the Participating Financial Institution at its ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;
 - (2) our Company, the Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
 - (3) notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares with Warrants for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and
 - (4) you agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application 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 you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (j) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (k) Notification on the outcome of your subscription for the Provisional Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
 - (1) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Rights Shares with Warrants; or
 - (2) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Rights Shares with Warrants.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 10.4.2(iii) of this AP and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.4.3 By way of Internet Application

All Entitled Shareholders may subscribe for the Provisional Rights Shares with Warrants by way of Internet Application.

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for Internet Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Application.

(i) Step 1: Set up of account

Before making an application by way of Internet Application, you **must have all** of the following:

- (a) an existing account with access to internet financial services with **Public Bank Berhad** at www.pbebank.com or **Affin Bank Berhad** at www.affinbank.com.my. Accordingly, you will need to have your user identification and PIN/password for the internet financial services facility; and
- (b) a CDS Account held in your name.

(ii) Step 2: Read the AP

You are advised to read and understand this AP **BEFORE** making your application.

(iii) Step 3: Apply through internet

While we will attempt to provide you with assistance in your subscription for the Provisional Rights Shares with Warrants through Internet Application, please note that the actual steps for Internet Applications through the internet financial services website of a particular Internet Participating Financial Institution may differ from the steps outlined below. The possible steps set out below are purely for illustration purposes only.

- (a) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have a bank account;
- (b) Log in to the internet financial services facility by entering your user identification and PIN/password;
- (c) Navigate to the section of the website on applications in respect of the Rights Shares with Warrants;
- (d) Select the counter in respect of the Rights Shares with Warrants to launch the electronic AP and the terms and conditions of the Internet Application;
- (e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (f) At the next screen, complete the online application form;

- (g) Check that the information contained in your online application form, such as the share counter (in this case, **Bioalpha Rights Shares Account**), your NRIC number, your current contact number (for e.g. your mobile phone number), your CDS Account number, number of Provisional Rights Shares with Warrants subscribed for and the account number to debit are correct. Then select the designated hyperlink on the screen to confirm and submit the online application form;
- (h) Upon submission of the online application form, you will be linked to the website of the Internet Participating Financial Institution to effect the online payment of your money for the Provisional Rights Shares with Warrants;
- (i) You must pay for the Provisional Rights Shares with Warrants through the website of the Internet Participating Financial Institution, failing which the Internet Application is not completed, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Application has been completed and states the details of your Internet Application, including the number of Provisional Rights Shares with Warrants applied for, which can be printed out for your record;
- (j) As soon as the transaction is completed, a message from the Internet Participating Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the Provisional Rights Shares with Warrants is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Application has been completed, via the Confirmation Screen on its website; and
- (k) You are advised to print out the Confirmation Screen for your reference and record.

(iv) Terms and Conditions of Internet Applications

The Internet Application shall be made on, and subject to, the terms of this AP, as well as the terms and conditions of the Internet Participating Financial Institution and those appearing herein:

- (a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given is true and correct:
 - (1) You have attained 18 years of age as at the last day for application and payment;
 - (2) You have, prior to making the Internet Application, received and/or have had access to a printed/electronic copy of this AP, the contents of which you have read and understood;
 - (3) You agree to all the terms and conditions of the Internet Application as set out in this AP and have carefully considered the risk factors set out in this AP, in addition to all other information contained in this AP, before making the Internet Application;
 - (4) You authorise the Internet Participating Financial Institution with which you have a bank account to deduct the full amount payable for the Provisional Rights Shares with Warrants (including the processing fee as mentioned in Section 10.3 (Note 3) of this AP) from your bank account; and

(5) You hereby give consent in accordance with the relevant laws of Malaysia (including Section 134 of the Financial Services Act 2013 and Section 45(1)(a) of the SICDA) for the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant Internet Participating Financial Institution, their respective agents and any third party involved in facilitating the application/refund, of information pertaining to yourself, the Internet Application made by you, your account with the Internet Participating Financial Institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the application/refund.

(b) You confirm that you are not applying for the Provisional Rights Shares with Warrants as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this AP.

(c) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares with Warrants applied for as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of Provisional Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.

Should you encounter any problem in your Internet Application, please refer to the Internet Participating Financial Institution.

(d) By making and completing your Internet Application, you, if successful, request and authorise our Company to credit the Rights Shares with Warrants allotted to you into your CDS Account.

(e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the Internet Participating Financial Institution or Bursa Depository and irrevocably agree that if:

(1) Our Company, our Share Registrar or Bursa Depository does not receive your Internet Application; or

(2) Data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against our Company, our Share Registrar, the Internet Participating Financial Institution or Bursa Depository for the Provisional Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the application for the Rights Shares with Warrants.

(f) All of your particulars, including your nationality and place of residence, in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Application shall be true and correct, and our Company, our Share Registrar, the relevant Internet Participating Financial Institution and Bursa Depository shall be entitled to rely on the accuracy thereof.

(g) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your correspondence address last maintained with Bursa Depository.

- (h) By making and completing an Internet Application, you agree that:
- (1) In consideration of our Company agreeing to allow and accept your subscription for the Provisional Rights Shares with Warrants via the Internet Application facility established by the Internet Participating Financial Institution at its internet financial services website, your Internet Application is irrevocable and cannot be subsequently withdrawn;
 - (2) Our Company, the Internet Participating Financial Institution, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
 - (3) Notwithstanding the receipt of any payment by or on behalf of our Company, the notice of successful allocation for prescribed securities issued in respect of the Rights Shares with Warrants for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares with Warrants; and
 - (4) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application 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 you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (i) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (j) Notification on the outcome of your subscription for the Provisional Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
- (1) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Provisional Rights Shares with Warrants; or
 - (2) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Provisional Rights Shares with Warrants.

The refund will be credited directly into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 10.4.3(iv) of this AP and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

- (k) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue with Warrants, 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 Internet Application services or if such disclosure is requested or required in connection with the Rights Shares with Warrants. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Application services.

10.4.4 By way of NRS

Our Company has appointed Bursa Depository to provide NRS to our shareholders who are Authorised Nominees. Only our Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may apply via NRS.

Please read carefully and follow the terms of this AP, the procedures, terms and conditions for application via NRS and Bursa Depository's terms and conditions for NRS and user guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the application.

(i) Steps for applications via NRS

- (a) If you are an Entitled Shareholder and an Authorised Nominee who have subscribed for NRS with Bursa Depository, you will not be receiving this AP, the RSF nor the NPA by post.
- (b) Instead, this AP and a Rights Issue Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominees in the manner as set out in Bursa Depository's user guide for NRS, on the next business day after the Entitlement Date.
- (c) A notification of the delivery of the AP and the Rights Issue Entitlement File will also be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.
- (d) You are advised to read carefully, understand and follow the terms of this AP, **BEFORE** making the application.
- (e) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue with Warrants.
- (f) To subscribe for the Provisional Rights Shares with Warrants, you will be required to submit your subscription information via a Rights Shares with Warrants Subscription File which is to be prepared based on the format as set out in Bursa Depository's user guide for NRS.
- (g) Once completed, you will need to submit the Rights Shares with Warrants Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the last day and time for acceptance and payment.
- (h) Together with the Rights Shares with Warrants Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:
- (1) Confirmation that you have, prior to making the application via NRS, received and/or had access to the electronic copy of this AP, the contents of which you have read, understood and agreed; and

- (2) Consent to the disclosure of your information to facilitate electronic refunds where applicable.
- (i) With regards to payment for the Provisional Rights Shares with Warrants which you have applied for, you must transfer the amount payable directly to our bank account, the details of which are as follows:

Bank: **MALAYAN BANKING BERHAD**
Account Name: **BIOALPHA RIGHTS SHARES ACCOUNT**
Bank Account No. : 514012083030

prior to submitting the Rights Shares with Warrants Subscription File to Bursa Depository.

- (j) Upon completion of the transfer/payment, you will receive a transaction slip ("**Transfer/Payment Record**") from the transacting financial institution confirming the details of your transfer/payment. The Transfer/Payment Record is only a record of the completed transaction and not a record of the receipt of the application via NRS or any data relating to such an application by our Company or Bursa Depository. The Transfer/Payment Record is for your record and is not required to be submitted with your application via NRS.
- (k) You will be notified on the outcome of your application for the Provisional Rights Shares with Warrants electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
 - (1) successful application – an electronic notification will be sent to you within 8 Market Days from the last day for application and payment for the Provisional Rights Shares with Warrants; or
 - (2) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Provisional Rights Shares with Warrants.

The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 10.4.4(ii) of this AP and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares with Warrants Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

- (l) Upon crediting of the Rights Shares with Warrants allotted to you into your CDS Account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.
- (m) You should note that all applications made for the Provisional Rights Shares with Warrants submitted under NRS will be irrevocable upon submission of the Rights Shares with Warrants Subscription File to Bursa Depository and cannot be subsequently withdrawn.

(ii) Terms and Conditions for applications via NRS

The application via NRS shall be made on, and subject to, the terms of this AP, Bursa Depository's terms and conditions for NRS and Bursa Depository's user guide for NRS as well as the terms and conditions appearing herein:

- (a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134 of the Financial Services Act 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.
- (b) You agree and undertake to subscribe for or purchase and to accept the number of Rights Shares with Warrants applied for as stated on your Rights Shares with Warrants Subscription File in respect of your application via NRS. Your application shall signify, and shall be treated as, your acceptance of the number of Rights Shares with Warrants that may be allotted to you.
- (c) You acknowledge that by completing and submitting the Rights Shares with Warrants Subscription File to Bursa Depository, you, if successful, request and authorise our Company to credit the Rights Shares with Warrants allotted to you into the respective CDS Account(s) as indicated in the Rights Shares with Warrants Subscription File.
- (d) You acknowledge that your application via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, our Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:
 - (1) our Company, our Share Registrar or Bursa Depository does not receive your application via NRS; or
 - (2) the data relating to your application via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company, our Share Registrar or Bursa Depository,

you shall be deemed not to have made your application and you shall not make any claim whatsoever against our Company, Bursa Depository, our Share Registrar or the relevant financial institution for the Rights Shares with Warrants applied for or for any compensation, loss or damage relating to the subscription for the Provisional Rights Shares with Warrants.

- (e) By completing and submitting the Rights Shares with Warrants Subscription File to Bursa Depository, you agree that:
 - (1) In consideration of our Company agreeing to allow and accept your subscription for the Provisional Rights Shares with Warrants via the NRS facility established by Bursa Depository, your application via NRS is irrevocable and cannot be subsequently withdrawn;

- (2) Our Company, the relevant financial institutions, Bursa Depository and our Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your application via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;
 - (3) Notwithstanding the receipt of any payment by or on behalf of our Company, the electronic notification of allotment in respect of the Rights Shares with Warrants issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Provisional Rights Shares with Warrants; and
 - (4) You agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the application via NRS 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 you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (f) Our Share Registrar and Bursa Depository, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.

10.5 Procedures for sale or transfer of Provisional Rights Shares with Warrants

As the Provisional Rights Shares with Warrants are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to one (1) or more persons for the period up to the last date and time for sale or transfer of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository).

Should you wish to sell or transfer all or part of your entitlement to one (1) or more person(s), you may do so through your stockbrokers without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS account. You may sell such entitlement on Bursa Securities or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository, both for the period up to the last date and time for the sale or transfer of the Provisional Rights Shares with Warrants.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES WITH WARRANTS, YOU NEED NOT DELIVER ANY DOCUMENT INCLUDING THE RSF, TO ANY STOCKBROKER. HOWEVER, YOU MUST ENSURE THAT THERE ARE SUFFICIENT PROVISIONAL RIGHTS SHARES WITH WARRANTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNTS THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE OR TRANSFER.

If you have sold or transferred only part of the Provisional Rights Shares with Warrants, you may still accept the balance of the Provisional Rights Shares with Warrants by completing Parts I(a) and II of the RSF. Please refer to Section 10.4 of this AP for the procedures for acceptance and payment.

10.6 Procedures for acceptance by renounee(s) and/or transferee(s)

Renounees or transferees who wish to accept the Provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, Bursa Securities' website at www.bursamalaysia.com at our Share Registrar or our Registered Office.

Please complete the RSF in accordance with the notes and instructions printed therein and submit the same together with the remittance to our Share Registrar at the above-stated address.

As a renounee or transferee, the procedures for acceptance, payment, selling and transferring of the Provisional Rights Shares with Warrants are the same as that applicable to the Entitled Shareholders as set out in Sections 10.3 and 10.5 of this AP.

RENOUNCEE(S) AND/OR TRANSFEEE(S) ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF CAREFULLY.

10.7 Procedures for application for Excess Rights Shares with Warrants

It is the intention of our Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner to our Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who have applied for the Excess Rights Shares with Warrants in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for; and
- (iv) fourthly, for allocation to renounee(s) and/or transferee(s) who have applied for Excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for.

Nevertheless our Board reserves the right to allot the Excess Rights Shares with Warrants applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i) to (iv) above is achieved.

10.7.1 By way of RSF

If you are an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s) (if applicable) may apply for Excess Rights Shares with Warrants in addition to your Provisional Rights Shares with Warrants. If you wish to do so, please complete Part I(b) of the RSF (in addition to Parts I(a) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) using the envelope provided (at your own risk) to our Share Registrar at the address set out above, so as to arrive **not later than 5.00 p.m. on Tuesday, 27 December 2016**, being the last time and date for acceptance and payment, or such extended time and date as may be decided and announced by our Board and Adviser at their absolute discretion not less than two (2) Market Days before the stipulated time and date.

Payment for the Excess Rights Shares with Warrants applied for should be made in the same manner as described in Section 10.4 above, except that the banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia should be made payable to "**BIOALPHA EXCESS RIGHTS SHARES ACCOUNT**" crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with the name and CDS account of the applicant in block letters to be received by our Share Registrar.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES AND WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THEM AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

YOU SHOULD NOTE THAT THE RSF SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT OR TO ACCEPT IN PART ONLY ANY APPLICATION WITHOUT PROVIDING ANY REASONS.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

Notification on the outcome of your application for the Excess Rights Shares with Warrants will be despatched to you by ordinary post to the address as shown in Bursa Depository's records at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within eight (8) Market Days from the last day for application and payment for the Excess Rights Shares with Warrants; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within fifteen (15) Market Days from the last day for application and payment for the Excess Rights Shares with Warrants.

If you have provided your bank account information to Bursa Depository for purposes of cash dividend/distribution, the refund will be credited directly into that bank account. For this purpose, you are required to provide your consent via the RSF in accordance with the relevant laws of Malaysia, including Section 134 of the Financial Services Act 2013 and Section 45(1)(a) of the SICDA, to the disclosure by our Company, Bursa Depository, our Share Registrar, the relevant financial institutions, their respective agents and any third party who may be involved in facilitating the payment of refund to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refund or for any other purpose in connection with such payments.

If the crediting of the refund into that bank account (details of which has been provided to Bursa Depository) is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.7.2 By way of Electronic Application

If you are an individual who is an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Section 10.4.2 of this AP save and except that you shall proceed with the option for Excess Rights Shares with Warrants application and the amount payable to be directed to "**BIOALPHA EXCESS RIGHTS SHARES ACCOUNT**" for the Excess Rights Shares with Warrants applied.

The minimum number of Excess Rights Shares with Warrants that can be applied for is 1 Excess Rights Shares with Warrants. However, you should take note that a trading board lot comprises 100 Rights Shares with Warrants.

The Electronic Application for Excess Rights Shares with Warrants shall be made on, and subject to, the same terms and conditions appearing in Section 10.4.2(iii) of this AP, as well as the terms and conditions as stated below:

- (i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares with Warrants applied for as stated on the Transaction Record or any lesser number of Excess Rights Shares with Warrants that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such Excess Rights Shares with Warrants or not to allot any Excess Rights Shares with Warrants to you, you agree to accept any such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM) of the number of Excess Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares with Warrants that may be allotted to you.
- (ii) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (iii) Notification on the outcome of your application for the Excess Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
 - (a) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Excess Rights Shares with Warrants; or
 - (b) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Excess Rights Shares with Warrants.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 10.4.2(iii) of this AP and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.7.3 By way of Internet Application

If you are an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via Internet Application in excess of your entitlement, you may do so by following the same steps as set out in Section 10.4.3 of this AP save and except that you shall proceed with the option for Excess Rights Shares with Warrants application and the amount payable to be directed to "**BIOALPHA EXCESS RIGHTS SHARES ACCOUNT**" for the Excess Rights Shares with Warrants applied.

The minimum number of Excess Rights Shares with Warrants that can be applied for is 1 Excess Rights Shares with Warrants. However, you should take note that a trading board lot comprises 100 Rights Shares with Warrants.

The Internet Application for Excess Rights Shares with Warrants shall be made on, and subject to, the same terms and conditions appearing in Section 10.4.3(iv) of this AP, as well as the terms and conditions as stated below:

- (i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares with Warrants applied for as stated on the Confirmation Screen or any lesser number of Excess Rights Shares with Warrants that may be allotted to you in respect of your Internet Application. In the event that our Company decides to allot any lesser number of such Excess Rights Shares with Warrants or not to allot any Excess Rights Shares with Warrants to you, you agree to accept any such decision as final. If your Internet Application is successful, your confirmation (by your action of clicking the designated hyperlink on the relevant screen of the website) of the number of Excess Rights Shares with Warrants applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares with Warrants that may be allotted to you.
- (ii) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (iii) Notification on the outcome of your application for the Excess Rights Shares with Warrants will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk within the timelines as follows:
 - (a) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Excess Rights Shares with Warrants; or
 - (b) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Excess Rights Shares with Warrants.

The refund will be credited directly into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies was made. Kindly take note of the terms and conditions as stated in Section 10.4.3(iv) of this AP and the required consent in making your Internet Application.

If the crediting of the refund into your bank account with the Internet Participating Financial Institution from which payment of your subscription monies was made is unsuccessful, the refund will then be made via cheque which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository's record at your own risk.

10.7.4 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renounee and/or a transferee and/or if you have purchased any Provisional Rights Shares with Warrants, and wish to apply for additional Rights Shares with Warrants via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 10.4.4 of this AP save and except for the amount payable to be directed to **“BIOALPHA EXCESS RIGHTS SHARES ACCOUNT” (Bank Account No. 514012083046 with Malayan Banking Berhad)** for the Excess Rights Shares with Warrants applied and also that you should complete the details for excess rights application at the designated fields for excess applications in the Rights Shares with Warrants Subscription File.

The minimum number of Excess Rights Shares with Warrants that can be applied for is 1 Excess Rights Shares with Warrants. However, you should take note that a trading board lot comprises 100 Rights Shares with Warrants.

The Application for Excess Rights Shares with Warrants via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 10.4.4(ii) of this AP, Bursa Depository’s terms and conditions for NRS and user guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS), as well as the terms and conditions as stated below:

- (i) You agree and undertake to subscribe for or purchase and to accept the number of Excess Rights Shares with Warrants applied for as stated on the Rights Shares with Warrants Subscription File or any lesser number of Excess Rights Shares with Warrants that may be allotted to you in respect of your application via NRS. In the event that our Company decides to allot any lesser number of such Excess Rights Shares with Warrants or not to allot any Excess Rights Shares with Warrants to you, you agree to accept any such decision as final. If your application via NRS is successful, your submission of the Rights Shares with Warrants Subscription File to Bursa Depository shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares with Warrants that may be allotted to you.
- (ii) Our Share Registrar, on the authority of our Company, reserves the right to reject applications which do not conform to these instructions.
- (iii) You will be notified on the outcome of your application for the Excess Rights Shares with Warrants electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.
 - (a) successful application – an electronic notification will be sent to you within 8 Market Days from the last day for application and payment for the Excess Rights Shares with Warrants; or
 - (b) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Excess Rights Shares with Warrants.

The refund will be credited directly into your bank account(s) (as provided by you in the Rights Shares with Warrants Subscription File) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 10.4.4(ii) of this AP and the required consent in making the application via NRS.

If the crediting of the refund into your bank account(s) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you by ordinary post to the correspondence address as shown on Bursa Depository’s record at your own risk.

10.8 Form of issuance

Bursa Securities has already prescribed our Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected.

No physical share or warrant certificate shall be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares and Warrants will be credited directly into your CDS accounts.

Any person who intends to subscribe for the Rights Shares and Warrants as a renounee(s) and/or transferee(s) by purchasing the provisional allotment of Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares with Warrants credited directly as prescribed securities into his CDS account.

If you have multiple CDS accounts into which the Provisional Rights Shares have been credited, you cannot use a single RSF for subscription of all these Provisional Rights Shares with Warrants. Separate RSF must be used for separate CDS accounts. The Excess Rights Shares with Warrants, if allotted to the successful applicant who applies for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS account.

10.9 Procedures for part acceptance

You can accept part of your Provisional Rights Shares with Warrants. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share. However, fractions of a Rights Share and/or Warrant (if any) arising from the Rights Issue with Warrants will be disregarded and dealt with by our Board as they may deem fit and expedient in the best interest of the Company.

You must complete both Part I(a) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 10.4.1 of this AP.

The portion of the Provisional Rights Shares with Warrants that have not been accepted shall be allotted to the applicants applying for Excess Rights Shares with Warrants.

10.10 Laws of foreign jurisdictions

The Documents have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any country or jurisdiction other than Malaysia. The Rights Issue with Warrants to which the Documents relate is only available to Entitled Shareholders receiving the Documents electronically or otherwise within Malaysia.

The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia.

Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

HLIB, our Company and our Directors and officers (collectively, the "**Parties**") would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are or may be subject. Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) shall solely be responsible to seek advice as to the laws of the countries or jurisdictions to which they are or may be subject. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

If you are a Foreign Entitled Shareholder who does not have a registered address in Malaysia, our Company will not make or be bound to make any enquiry as to whether you have an address or an address for service in Malaysia if not otherwise stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue with Warrants and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue with Warrants and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you had accepted the Rights Issue with Warrants in Malaysia and will at all applicable times be subject to the laws of Malaysia.

Accordingly, the Documents has not been (and will not be) sent to the Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who do not have a registered address in Malaysia. However, such Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) may collect the Documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights and entitlements under the Rights Issue with Warrants. Such Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms in the Documents, the Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are deemed to have represented, warranted, acknowledged and declared in favour of (and which representations, warranties, acknowledgements and declarations will be relied upon by) the Parties that:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which those Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are or may be subject to;
- (ii) Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- (iv) Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) are aware that the Provisional Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) have obtained a copy of this AP and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the Parties and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) Foreign Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations.

No person in any territory outside of Malaysia receiving this AP and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for or acquire any Rights Shares with Warrants unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.

We reserve the right, in our absolute discretion, to treat any acceptance as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Rights Shares with Warrants relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares with Warrants available for excess application by the other Entitled Shareholders. You and/or your renounee(s) and/or transferee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of your and/or your renounee(s)'s and/or transferee(s)'s entitlement under the Rights Issue with Warrants or to any net proceeds thereof.

11 TERMS AND CONDITIONS

The issuance of the Rights Shares and Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in the Documents.

12 FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
BIOALPHA HOLDINGS BERHAD



HON TIAN KOK @ WILLIAM
Managing Director/ Chief Executive Officer

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2016

BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

(Incorporated in Malaysia)

EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY SCHEDULED TO BE HELD AT HOTEL BANGI-PUTRAJAYA, OFF PERSIARAN BANDAR, 43650 BANDAR BARU BANGI, SELANGOR ON TUESDAY, 15 NOVEMBER 2016 AT 10:00 A.M.

IT IS HEREBY RESOLVED:-

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 133,333,131 NEW ORDINARY SHARES OF RM0.05 EACH IN BIOALPHA ("BIOALPHA SHARE(S)") ("RIGHTS SHARE(S)") TOGETHER WITH 133,333,131 FREE NEW DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE TO BE DETERMINED LATER ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 5 BIOALPHA SHARES HELD TOGETHER WITH 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

THAT, subject to the approval-in-principle granted by Bursa Malaysia Securities Berhad ("Bursa Securities") and all other relevant authorities/ parties (if applicable) being obtained, approval be and is hereby given to the Board of Directors of the Company ("Board"):

- (i) to provisionally allot and issue by way of a renounceable rights issue of 133,333,131 Rights Shares together with 133,333,131 free new detachable Warrants to the registered shareholders of the Company whose names appear in the Record of Depositors at the close of business on a date to be determined by the Directors of the Company as they may deem fit, on the basis of 1 Rights Shares for every 5 existing Bioalpha Shares held and 1 Warrant for every 1 Rights Share subscribed;
- (ii) to determine the issue price of the Rights Shares after taking into consideration, amongst others, the discount to the issue price of not more than 25% to the theoretical ex-all price of the Bioalpha Shares ("TERP") based on the five (5)-day volume weighted average market price ("VWAMP") of the Bioalpha shares immediately preceding the price-fixing date to be determined later by the Board, subject to the minimum par value of RM0.05 each;
- (iii) to determine the exercise price of the Warrants after taking into consideration, amongst others, the five (5)-day VWAMP of Bioalpha shares immediately preceding the price-fixing date to be determined later by the Board, subject to the minimum par value of RM0.05 each, and wherein the exercise price of the Warrants may be fixed at a discount to the said TERP if deemed appropriate by the Board;
- (iv) to enter into and execute the deed poll constituting the Warrants ("Deed Poll") and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll wherein each of the Warrant will carry the rights to subscribe, subject to any adjustment in accordance with the Deed Poll to be executed, at any time during the "Exercise Period" as defined in the Deed Poll, for one (1) new Bioalpha Share;
- (v) to issue and allot such number of new Bioalpha Shares pursuant to the exercise of the Warrants ("New Shares"), from time to time during the tenure of the Warrants, and such new Bioalpha Shares shall, upon allotment and issue, rank pari passu in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the allotment and issuance of the New Shares; and

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 15 NOVEMBER 2016 (Cont'd)

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

Extract of Minutes of the Extraordinary General Meeting held on 15 November 2016

- Page 2

- (vi) to do all acts and things as they may consider necessary or expedient in the best interests of the Company with full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Rights Issue with Warrants;

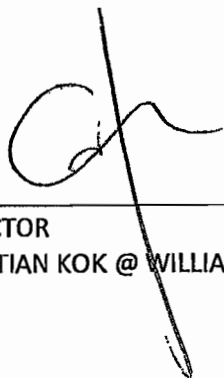
THAT any fractional entitlements under the Proposed Rights Issue with Warrants will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion think fit and expedient or to be in the best interests of the Company;

THAT the Rights Shares will, upon allotment and issue, rank pari passu in all respects with the then existing Bioalpha Shares in issue, save and except that they will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid prior to the allotment and issue of the Rights Shares;

AND THAT the Board is hereby authorised to sign and empowered to give full effect to the aforesaid Proposed Rights Issue with Warrants with full power to assent to and accept any conditions, variations arrangements and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board to sign, execute and deliver on behalf of the Company, the Deed Poll and all such other documents with any party or parties and to take all such steps and to do all such acts, things and matters as it may deem fit, necessary and/or expedient in order to implement, finalise and give full effect to the Proposed Rights Issue with Warrants.

Dated: 15 November 2016

CERTIFIED TRUE COPY



DIRECTOR
HON TIAN KOK @ WILLIAM



SECRETARY
CHONG VOON WAH
(MAICSA 7055003)

Lodged by : Boardroom.com Sdn Bhd (820910-X)
Address : Suite 10.03, Level 10, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur
Tel No. : (603) 2279 3080
Fax No. : (603) 2279 3090

INFORMATION ON OUR COMPANY

1. HISTORY OF OUR BUSINESS

We were incorporated in Malaysia on 21 June 2011 under the Act as a public limited company under the name of Bioalpha Holdings Berhad to facilitate our listing on the ACE Market of Bursa Securities. On 14 April 2015, the shares of our Company were listed on the ACE Market of Bursa Securities.

2. PRINCIPAL ACTIVITIES

Our principal activity is investment holding whilst our subsidiaries are principally involved in the manufacturing and sales of semi-finished and finished health supplement products as an ODM as well as under our house brands. Our health supplement products comprised 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.

Details of the principal activities of our subsidiaries are set out in Section 7 of this appendix.

3. SHARE CAPITAL

The authorised and issued and paid-up ordinary share capital of our Company as at the LPD is as follows:

	Number of Bioalpha Shares	Par Value RM	Amount RM
Authorised	2,000,000,000	0.05	100,000,000.00
Issued and fully paid-up	666,665,655	0.05	33,333,282.75

4. CHANGES IN SHARE CAPITAL

Details of the changes in our Company's issued and fully paid-up share capital for the last 3 years up to the LPD are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up share capital RM
9 April 2015	100,000,000	0.05	Cash / Public issuance in conjunction with its listing on ACE Market	23,170,655.70
19 January 2016	18,867,924	0.05	Cash / New share issuance	24,114,051.90
10 February 2016	17,718,962	0.05	Cash / New share issuance	25,000,000.00
9 September 2016	166,665,655	0.05	Other than cash / Bonus issue	33,333,282.75

INFORMATION ON OUR COMPANY (Cont'd)**5. SUBSTANTIAL SHAREHOLDERS**

Please refer Section 8.4 of this AP for the effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders of our Company.

6. DIRECTORS**6.1 Details of our Directors**

The details of our Board as at the LPD are as follows:

Directors	Address	Nationality	Age	Profession	Designation
Tan Sri Abdul Rahman Bin Mamat	3-11-1, The Residence, Jalan Wan Kadir 5, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	Malaysian	64	Company Director	Independent Non-Executive Chairman
Hon Tian Kok @ William	No. 52A, Jalan 8/35A, Taman Seri Bangi, Seksyen 8, 43650 Bandar Baru Bangi, Selangor Darul Ehsan	Malaysian	40	Company Director	Managing Director/ Chief Executive Officer
Ho Tze Hiung	No. 42, Jalan BU3/2, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan	Malaysian	39	Company Director	Executive Director
Dato' Norhalim Bin Yunus	No. 19, Jalan Mulia 1/5, Taman Bukit Antarabangsa, 68000 Ampang, Selangor Darul Ehsan	Malaysian	53	Company Director	Non-Independent Non-Executive Director
Dato' Rosely Bin Samsuri	No. 119, Jalan C1, Taman Melawati, 53100 Kuala Lumpur	Malaysian	63	Company Director	Non-Independent Non-Executive Director
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim	No. 48, Jalan Chanderau, Bukit Pantai, 59100 Kuala Lumpur	Malaysian	72	Company Director	Independent Non-Executive Director
Dr. Nik Ismail Bin Nik Daud	26, Jalan SS 19/3A, 47500 Subang Jaya, Selangor Darul Ehsan	Malaysian	65	Company Director	Independent Non- Executive Director
Mohd Nasir Bin Abdullah	Lot 13A Batu 5¾ Jalan Gombak, Gombak Setia, 53100 Kuala Lumpur	Malaysian	50	Company Director	Independent Non-Executive Director

INFORMATION ON OUR COMPANY (Cont'd)**6.2 Directors' shareholdings**

The direct and indirect shareholdings of the Directors in the issued and paid-up share capital in the Company as at the LPD and the subsequent proforma effects due to the Rights Issue with Warrants are as follows:

Scenario 1 – Assuming the Undertakings and Additional Undertakings are called upon and that all other shareholders save for the Undertaking Shareholders will not subscribe for their respective entitlement of Rights Shares

Substantial shareholders	As at 1 December 2016			(I) After the Rights Issue with Warrants			(II) After (I) and assuming full exercise of the Warrants		
	Direct No. of Bioalpa Shares	Indirect No. of Bioalpa Shares	%	Direct No. of Bioalpa Shares	Indirect No. of Bioalpa Shares	%	Direct No. of Bioalpa Shares	Indirect No. of Bioalpa Shares	%
Hon Tian Kok @ William	125,379,540	-	18.81	169,510,305	-	21.19	213,641,070	-	22.89
Ho Tze Hiung	133,333	-	0.02	133,333	-	0.02	133,333	-	0.01

Scenario 2 – Assuming that all entitled shareholders subscribed for their respective entitlement of Rights Shares

Substantial shareholders	As at 1 December 2016			(I) After the Rights Issue with Warrants			(II) After (I) and assuming full exercise of the Warrants		
	Direct No. of Bioalpa Shares	Indirect No. of Bioalpa Shares	%	Direct No. of Bioalpa Shares	Indirect No. of Bioalpa Shares	%	Direct No. of Bioalpa Shares	Indirect No. of Bioalpa Shares	%
Hon Tian Kok @ William	125,379,540	-	18.81	150,455,448	-	18.81	175,531,356	-	18.81
Ho Tze Hiung	133,333	-	0.02	159,999	-	0.02	186,665	-	0.02

Save for Hon Tian Kok @ William and Ho Tze Hiung, no other Directors of Bioalpa has any direct or indirect shareholdings in Bioalpa as at the LPD nor will they be allotted any Bioalpa Shares pursuant to the Rights Issue with Warrants.

INFORMATION ON OUR COMPANY (Cont'd)**7. SUBSIDIARIES AND ASSOCIATED COMPANY**

The subsidiaries company of our Company as at the LPD are as follows:

Company	Date / Place of incorporation	Issued and paid-up share capital RM (unless stated otherwise)	Effective equity interest %	Principal activities
Bioalpha International Sdn Bhd	17 November 2005/ Malaysia	520,834	100.00	Research and development and manufacturers, importers, exporters, distribution and traders of nutritional and healthcare products
Bioalpha R&D Sdn Bhd	15 May 2008/ Malaysia	400,000	100.00	Research and development and manufacturers, suppliers, distributors, wholesalers or retailers of healthcare and nutritional products
Botanical Distribution Sdn Bhd	17 July 2008/ Malaysia	2	100.00	Suppliers, distributors, direct selling agents, wholesaler or retailer or healthcare and nutritional products
Held through Bioalpha International Sdn Bhd				
Bioalpha Agro Sdn Bhd	23 June 2010/ Malaysia	10,000	72.00	Import, export, cultivate, manufacture, distribute and trade in variety of agro products, medical herbs and cordyceps
Bioalpha East Coast Agro Sdn Bhd	22 January 2014/ Malaysia	2,000,000	100.00	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products
PT Herbal Malindo Makmur	7 September 2015/ Indonesia	USD250,000	60.00	Dormant. Intended principal activity is that of wholesale and retail trade of pharmaceutical and traditional medicine.
Held through Botanical Distribution Sdn Bhd				
Alphacare Sdn Bhd	5 October 2011/ Malaysia	2,000,000	70.00	Concept shop operators, general merchants, online trading agents, franchisors, wholesaler or retailer of healthcare, nutritional products, food & beverages

INFORMATION ON OUR COMPANY (Cont'd)

Company	Date / Place of incorporation	Issued and paid-up share capital RM (unless stated otherwise)	Effective equity interest %	Principal activities
Held through Botanical Distribution Sdn Bhd (Cont'd)				
Mediconstant Holdings Sdn Bhd	17 July 2002/ Malaysia	50,000	100.00	Investment holding and provision of management services
Held through Bioalpha Agro Sdn Bhd				
Bioalpha (Johor Herbal) Sdn. Bhd.	28 October 2010/ Malaysia	20,000	70.00	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products
Held through Mediconstant Holding Sdn Bhd				
Mediconstant Pharmacy (Setapak) Sdn Bhd	23 December 2002/ Malaysia	2	100.00	Dormant
Mediconstant Management Sdn Bhd	23 December 2002/ Malaysia	2	100.00	Dormant
Mediconstant Pharmacy Sdn Bhd	29 January 1999/ Malaysia	600,000	100.00	Business of pharmacists, druggists and chemist and retailer of general products, food and beverages
Mediconstant Pharmacy (TTDI) Sdn Bhd	7 September 2000/ Malaysia	80,003	100.00	Dormant
Mediconstant Pharmacy (Desa Tasik) Sdn Bhd	23 June 1999/ Malaysia	80,003	100.00	Pharmacists, druggists, chemist and retailer of general products, food and beverages
Mediconstant Pharmacy (Sea Park) Sdn Bhd	1 August 2002/ Malaysia	10	100.00	Pharmacists, druggists, chemist and retailer of general products, food and beverages
Mediconstant Pharmacy (Taman Desa) Sdn Bhd	18 November 2002/ Malaysia	10	100.00	Pharmacists, druggists, chemist and retailer of general products, food and beverages

INFORMATION ON OUR COMPANY (Cont'd)

Company	Date / Place of incorporation	Issued and paid-up share capital RM (unless stated otherwise)	Effective equity interest %	Principal activities
Held through Mediconstant Holding Sdn Bhd (Cont'd)				
Mediconstant Pharmacy (Puchong) Sdn Bhd	17 June 2003/ Malaysia	10	100.00	Pharmacists, druggists, chemist and retailer of general products, food and beverages
Mediconstant Pharmacy (Klang) Sdn Bhd	16 June 2003/ Malaysia	2	100.00	Pharmacists, druggists, chemist and retailer of general products, food and beverages
Mediconstant Pharmacy (Ampang) Sdn Bhd	27 May 2003/ Malaysia	2	100.00	Pharmacists, druggists, chemist and retailer of general products, food and beverages
Mediconstant Dynamic Sdn Bhd	2 March 2004/ Malaysia	2	100.00	Dormant

As at the LPD, Bioalpha does not have any associated companies.

8. PROFIT AND DIVIDEND RECORD

A summary of the results of Bioalpha based on its audited consolidated results for the past 3 financial years up to FYE 2015 and the unaudited consolidated 9-month FPE 30 September 2016 are as follows:

	<----- FYE 2013 RM'000	Audited FYE 2014 RM'000	-----> FYE 2015 RM'000	Unaudited 9-month FPE 30 September 2016 RM'000
Revenue	24,469	27,115	29,720	30,962
Cost of sales	(11,842)	(13,909)	(13,654)	(18,676)
Gross profit	12,727	13,206	16,066	12,286
Other income	1,306	4,592	3,648	4,566
	14,033	17,798	19,714	16,852
Administrative expenses	(6,144)	(10,776)	(12,105)	(12,580)
Finance costs	(350)	(236)	(306)	(141)
PBT	7,539	6,786	7,303	4,131
Income tax expense	(1,201)	(489)	(845)	(168)
PAT/Total comprehensive income for the year	6,338	6,297	6,458	3,963

INFORMATION ON OUR COMPANY (Cont'd)

	<----- FYE 2013 RM'000	Audited FYE 2014 RM'000	-----> FYE 2015 RM'000	Unaudited 9-month FPE 30 September 2016 RM'000
Profit for the year attributable to:				
Owner of the Company	6,294	6,433	6,796	4,300
Non-controlling interests	44	(136)	(338)	(337)
	6,338	6,297	6,458	3,963
EBITDA	10,361	10,182	12,136	8,116
Gross profit margin (%) ⁽¹⁾	51.80	48.70	54.06	39.68
PAT margin (%) ⁽²⁾	25.80	23.22	21.73	12.80
No. of Bioalpha Shares in issue ('000)	363,413	363,413	463,413	666,666
Weighted average number of Bioalpha Shares ('000)	283,787	363,413	437,934	506,856
Basic/Diluted EPS (sen)	2.22	1.77	1.55	0.85
Dividend per share (sen)	-	0.13	0.10	-

Notes:

- (1) Calculated based on gross profit divided by revenue
(2) Calculated based on PAT divided by revenue

Commentary on the financial performance**Audited FYE 2013**

During the FYE 2013, the Group's overall revenue had significantly improved by 28.53% or RM5.45 million from RM19.12 million for FYE 2012 to RM24.57 million for the FYE 2013. This was mainly attributable to the increase in revenue from ODM, house brand and processed herbs businesses. The increase in revenue from our ODM business was mainly due to an increase in orders by two (2) of our existing ODM customers amounting to RM2.60 million, which was mainly driven by the introduction of five (5) new health supplement products towards the end of 2012 and during 2013.

The PBT of the Group had experienced a slight decrease from RM7.56 million during the FYE 2012 to a PBT of RM7.54 million mainly due to increase in finance cost by RM0.15 million or 75% from RM0.20 million incurred in the previous financial year to RM0.35 million for the financial year under review. This increase was due to a full year interest charge incurred for the term loan drawdown in August 2012 to finance the re-construction of the Group's facility in Bangi, Selangor.

Audited FYE 2014

During the FYE 2014, the Group's overall revenue had subsequently increased by 10.36% or RM2.55 million from RM24.57 million for FYE 2013 to RM27.12 million in FYE 2014. This was mainly due to the increase in revenue from our ODM and house brand businesses. The increase from our ODM business can be attributed to the increase in orders of our existing health supplement products for general health maintenance and general well-being for women along with commercialisation and sales of new herbs-based and medicinal mushroom-based formulations.

INFORMATION ON OUR COMPANY (Cont'd)

Albeit the Group's improvement in gross profit, it had recorded a decrease in gross profit margin by 3.1 percentage points. This decrease was mainly due to the higher depreciation and amortisation expenses incurred as well as higher manufacturing overheads of RM1.15 million following the completion of our Group's facility in Bangi, Selangor and the enhancement of our Group's fermentation facility in the second half of 2013. In addition, we had also incurred higher raw materials cost due to the use of new active ingredients.

PBT had also decreased by 10% from RM7.54 million in FYE 2013 to RM6.79 million in FYE 2014 which was mainly caused by the increase in the Group's administrative expenses by RM4.63 million or 75.39%. This said increase in administrative expenses was mainly due to the increase in research costs incurred pursuant to the NKEA Agreement¹. This was offset by the increase in other income of RM3.28 million or 250.38% from RM1.31 million for the FYE 2013 to RM4.59 million for the FYE 2014 due to grants received under the NKEA Agreement amounting to RM3.84 million.

Audited FYE 2015

The Group's revenue had further increased by 9.61% or RM2.61 million from RM27.11 million for the FYE 2014 to RM29.72 million in the FYE 2015. The revenue growth was mainly due to the Group's strategy in export markets, such as exporting herbal products to the Chinese market. Currently, the Group has been exporting its products to ASEAN countries, Taiwan and China.

Gross profit margin had improved by 5.36 percentage points from 48.70% in FYE 2014. This was achievable due to the abovementioned increase in revenue and a decrease in cost of sales incurred for the period under review. The said decrease in cost of sales incurred was due to cost savings from bulk purchases of raw materials. Our Group's gross profit had increased by RM2.86 million from RM13.21 million in the FYE 2014 to RM16.07 million in the FYE 2015 while our Group's PBT had recorded a growth of 7.62% from the previous year of RM6.79 million to RM6.46 million for the financial year under review. The increase in our Group's gross profit and PBT was in tandem with the increase in our Group's overall revenue.

Unaudited 9-month FPE 30 September 2016

The Group recorded revenue for the 9-month FPE 30 September 2015 of RM30.96 million compared to the preceding year's corresponding 9-month period of RM20.02 million, representing an increase of 54.65%. This increase is largely contributed by revenue from the retail pharmacies segment after the completion of the acquisition of Mediconstant Holdings Sdn Bhd in January 2016.

Notwithstanding the above, gross profit margin was lower at 39.68% in FPE 30 September 2016 as compared to 52.57% a year ago. The decline was due to the lower gross profit margin generated by the retail pharmacies segment as compared to the manufacturing of health supplement products. Nonetheless, the PBT of the Group has increased by RM1.08 million or 35.41% from RM3.05 million in the 9-month FPE 30 September 2015 to RM4.13 million in the current 9-month FPE 30 September 2016.

¹ The NKEA Agreement is an agreement entered into by our Group with the Government pursuant to the NKEA Agricultural Scheme whereby we were appointed, and funded, as an Anchor Company in 2011 to undertake pre-clinical and clinical research studies on "high-value herbal products" as part of high impact entry point projects, matched with specific ideas and actions, to spur the growth of National Key Economic Areas.

INFORMATION ON OUR COMPANY (Cont'd)**9. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of Bioalpha Shares as traded on Bursa Securities for the past 12 months from December 2015 to November 2016 are as follows:

	Highest (RM)	Lowest (RM)
<u>2015</u>		
December	0.325	0.285
<u>2016</u>		
January	0.360	0.300
February	0.350	0.320
March	0.450	0.330
April	0.420	0.345
May	0.405	0.345
June	0.390	0.360
July	0.410	0.370
August	0.390	0.360
September	0.380	0.255
October	0.265	0.235
November	0.250	0.210
		(RM)

The last transacted market price of Bioalpha Shares immediately prior to the announcement of the Rights Issue with Warrants on 7 September 2016

0.375

The last transacted market price of Bioalpha Shares as at the LPD

0.240

The last transacted price of Bioalpha Shares on 5 December 2016, being the last Market Day prior to the ex-date of the Rights Issue with Warrants

0.215

(Source: Bloomberg)

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015



18 November 2016

The Board of Directors
Bioalpha Holdings Berhad
No. 10, Jalan P/9A
Seksyen 13
43650 Bandar Baru Bangi
Selangor Darul Ehsan

Dear Sirs,

**BIOALPHA HOLDINGS BERHAD (“BIOALPHA” OR “THE COMPANY”) AND ITS
SUBSIDIARIES (COLLECTIVELY KNOWN AS “BIOALPHA GROUP” OR “THE
GROUP”) PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015, together with the accompanying notes thereto which have been prepared by the Directors of the Company (“Directors”).

The Pro Forma Consolidated Statement of Financial Position is prepared for illustrative purposes only and for the inclusion in the Abridged Prospectus of Bioalpha (“Abridged Prospectus”) in connection with the renounceable rights issue with warrants of 133,333,131 new ordinary shares of RM0.05 each in Bioalpha (“Bioalpha Shares”) (“Rights Shares”) together with 133,333,131 free new detachable warrants (“Warrants”) at an issue price of RM0.20 on the basis of one (1) Rights Share for every five (5) existing Bioalpha Shares held together with one (1) Warrant for every one (1) Rights Share subscribed (“Rights Issue with Warrants”).

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors to illustrate the impact of the Rights Issue with Warrants on the Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 had the Rights Issue with Warrants been effected on that date, set out in Appendix A and the notes set out in the accompanying Notes 2 to 21 to the Pro Forma Consolidated Statement of Financial Position in this letter.

As part of this process, information about the financial position has been extracted by the Directors from the relevant financial statements as at 31 December 2015, on which an audit report has been published.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

- 2 -

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in the accompanying notes thereto.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis set out in the accompanying notes thereto.

We conducted our engagement in accordance with the International 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 set out in the accompanying notes thereto.

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 Statement of Financial Position, 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 Statement of Financial Position.

The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Abridged Prospectus in relation to the Rights Issue with Warrants 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.

.../3

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

- 3 -

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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 Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

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

Opinion

In our opinion:

- (i) the Pro Forma Consolidated Statement of Financial Position, which has been prepared by the Directors, has been properly prepared on the basis stated in the accompanying Note 1 in Appendix A to the Pro Forma Consolidated Statement of Financial Position using financial statements prepared in accordance with Malaysian Financial Reporting Standards and in a manner consistent with both the format to the financial statements and the accounting policies adopted by the Company; and
- (ii) each material adjustments made to the information used in the preparation of the Pro Forma Consolidated Statement of Financial Position is appropriate for the purpose of preparing the Pro Forma Consolidated Statement of Financial Position.

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**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)**

- 4 -

Other Matters

This letter has been prepared for the purpose of inclusion in the Abridged Prospectus. Our work had been carried out in accordance with International Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Rights Issue with Warrants described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue with Warrants.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Uhy'.

UHY

Firm Number: AF 1411

Chartered Accountants

A handwritten signature in black ink, appearing to be 'TAN TIAN WOUI'.

TAN TIAN WOUI

Approved Number: 2696/05/18 (J)

Chartered Accountant

Kuala Lumpur, Malaysia

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

**BIOALPHA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

The Pro Forma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the audited Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 and also based on the assumptions that the following events had been effected on that date. The Pro Forma should be read in conjunction with the notes accompanying the Pro Forma Statements of Financial Position of the Group.

	Note	Audited as at 31.12.2015 RM	After subsequent events RM	Pro forma I After the Rights Issue with Warrants RM	Pro Forma II After the full exercise of Warrants RM	Pro Forma III After full granting of Option RM	Pro Forma IV After the full exercise of Option RM
NON-CURRENT ASSETS							
Property, plant and equipment	5	26,902,893	28,871,334	32,371,334	32,371,334	32,371,334	32,371,334
Development expenditures		12,970,672	12,970,672	12,970,672	12,970,672	12,970,672	12,970,672
Goodwill on consolidation	6	-	5,334,030	5,334,030	5,334,030	5,334,030	5,334,030
		<u>39,873,565</u>	<u>47,176,036</u>	<u>50,676,036</u>	<u>50,676,036</u>	<u>50,676,036</u>	<u>50,676,036</u>
CURRENT ASSETS							
Biological assets		282,765	282,765	282,765	282,765	282,765	282,765
Inventories	7	4,664,363	7,545,662	7,545,662	7,545,662	7,545,662	7,545,662
Trade receivables	8	19,249,631	19,960,036	19,960,036	19,960,036	19,960,036	19,960,036
Other receivables	9	10,716,833	11,362,685	11,362,685	11,362,685	11,362,685	11,362,685
Tax recoverable	10	140,592	425,707	425,707	425,707	425,707	425,707
Fixed deposits with licensed banks		7,965,440	7,965,440	7,965,440	7,965,440	7,965,440	7,965,440
Cash and bank balances	11	5,803,544	11,459,317	33,970,709	63,303,998	63,303,998	124,903,905
		<u>48,823,168</u>	<u>59,001,612</u>	<u>81,513,004</u>	<u>110,846,293</u>	<u>110,846,293</u>	<u>172,446,200</u>
Total Assets		<u>88,696,733</u>	<u>106,177,648</u>	<u>132,189,040</u>	<u>161,522,329</u>	<u>161,522,329</u>	<u>223,122,236</u>



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

**BIOALPHA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

	Note	Audited as at 31.12.2015 RM	After subsequent events RM	Pro forma I After the Rights Issue with Warrants RM	Pro Forma II After the full exercise of Warrants RM	Pro Forma III After full granting of Option RM	Pro Forma IV After the full exercise of Option RM
EQUITY							
Share capital	12	23,170,656	33,333,283	39,999,939	46,666,595	46,666,595	60,666,574
Share premium	13	24,361,905	24,566,535	27,057,963	66,577,904	66,577,904	149,821,778
Merger deficits		(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)	(4,969,130)
Warrants reserves	14	-	-	16,853,308	-	-	-
Option reserves	15	-	-	-	-	35,643,946	-
Retained earnings	16	36,439,983	36,439,983	36,439,983	36,439,983	796,037	796,037
		79,003,414	89,370,671	115,382,063	144,715,352	144,715,352	206,315,259
		(277,262)	(277,262)	(277,262)	(277,262)	(277,262)	(277,262)
Non controlling interests		78,726,152	89,093,409	115,104,801	144,438,090	144,438,090	206,037,997
NON-CURRENT LIABILITIES							
Finance lease liabilities	17	249,824	252,879	252,879	252,879	252,879	252,879
Bank borrowings	18	691,707	2,678,165	2,678,165	2,678,165	2,678,165	2,678,165
Deferred tax liabilities	19	2,645,605	2,655,913	2,655,913	2,655,913	2,655,913	2,655,913
		3,587,136	5,586,957	5,586,957	5,586,957	5,586,957	5,586,957



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

**BIOALPHA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

	Note	Audited as at 31.12.2015 RM	After subsequent events RM	Pro forma I After the Rights Issue with Warrants RM	Pro Forma II After the full exercise of Warrants RM	Pro Forma III After full granting of Option RM	Pro Forma IV After the full exercise of Option RM
CURRENT LIABILITIES							
Trade payables	20	178,159	4,091,943	4,091,943	4,091,943	4,091,943	4,091,943
Other payables	21	5,134,136	5,784,210	5,784,210	5,784,210	5,784,210	5,784,210
Amount owing to a Director		22,049	22,049	22,049	22,049	22,049	22,049
Finance lease liabilities	17	144,126	156,103	156,103	156,103	156,103	156,103
Bank borrowings	18	846,428	1,384,430	1,384,430	1,384,430	1,384,430	1,384,430
Tax payable		58,547	58,547	58,547	58,547	58,547	58,547
		6,383,445	11,497,282	11,497,282	11,497,282	11,497,282	11,497,282
Total Liabilities		9,970,581	17,084,239	17,084,239	17,084,239	17,084,239	17,084,239
Total Equity and Liabilities		88,696,733	106,177,648	132,189,040	161,522,329	161,522,329	223,122,236
Number of ordinary shares		463,413,114	666,665,655	799,998,786	933,331,917	933,331,917	1,213,331,492
Par value of ordinary shares		RM0.05	RM0.05	RM0.05	RM0.05	RM0.05	RM0.05
NA (RM)		79,003,414	89,370,671	115,104,801	144,715,352	144,715,352	206,315,259
NA per share (RM)		0.17	0.13	0.14	0.16	0.16	0.17
Borrowings (RM)		1,932,085	4,471,577	4,471,577	4,471,577	4,471,577	4,471,577
Gearing (times)		0.02	0.05	0.04	0.03	0.03	0.02



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

1. Basis of Preparation

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 of which the Directors of Bioalpha are solely responsible, has been prepared for illustration purposes only, to show the effects on the audited Consolidated Statement of Financial Position of Bioalpha Group had the Rights Issue with Warrants been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015 has been prepared based on the audited Consolidated Statement of Financial Position of the Bioalpha Group as at 31 December 2015, which have been prepared by the Directors in accordance with the Malaysian Financial Reporting Standards.

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group has been prepared in a manner consistent with both the format of the financial statements and the accounting policies of Bioalpha as disclosed in the Bioalpha Group's audited consolidated financial statements for the financial year ended 31 December 2015, which have been prepared by the Directors in accordance with the Malaysian Financial Reporting Standards.

2. Adjustment for Subsequent Events

The Pro Forma Consolidated Statement of Financial Position of the Bioalpha Group has been prepared assuming the following subsequent events up to 15 November 2016, are incorporated as at 31 December 2015:

(a) Acquisition of Subsidiary Company

On 18 December 2015, Botanical Distribution Sdn. Bhd., a wholly-owned subsidiary of Bioalpha, had entered into a Sale of Shares Agreement with Ng See Hein and Loh Peng Yeow for the acquisition of the entire equity interest in Mediconstant Holding Sdn. Bhd. ("MHSB") for a purchase consideration of RM5,000,000 which has been satisfied via the issuance of 18,867,924 Bioalpha Shares at an issue price of RM0.265 each ("Acquisition"). The Acquisition was completed on 21 January 2016.



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)**Appendix A****BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)****2. Adjustment for Subsequent Events (Cont'd)****(b) Private Placement**

On 16 December 2015, Bioalpha had announced that the Company proposes to undertake a private placement of 17,718,962 new Bioalpha Shares ("Placement Shares") ("Private Placement"). On 29 January 2016, the Company had announced that the issue price of the Placement Shares has been fixed at RM0.33 per Placement Share. The Private Placement was completed on 12 February 2016.

(c) Bonus issue

On 27 May 2016, Bioalpha had announced, amongst others, a bonus issue of 166,665,655 Bioalpha Shares ("Bonus Shares") on the basis of one (1) Bonus Share for every three (3) existing Bioalpha Shares held ("Bonus Issue"). The Bonus Issue was completed on 13 September 2016.

(d) Estimated expenses to be incurred

The estimated expenses relating to the Acquisition, Private Placement and Bonus Issue amount to RM130,000, RM150,000 and RM200,000 respectively (The Acquisition, Private Placement and Bonus Issue shall collectively be referred to as the "Subsequent Events").

3. Rights Issue with Warrants

The Pro Forma Consolidated Statement of Financial Position of the Group has been prepared assuming the Rights Issue with Warrants is effected on 31 December 2015. The Rights Issue with Warrants to be undertaken by Bioalpha is presented assuming all the Entitled Shareholders fully subscribe for their entitlements under the Rights Issue with Warrants.



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

3. Rights Issue with Warrants (Cont'd)

Fair Value of Warrants

The fair value of each Warrants is assumed to be RM0.1264 based on the Black-Scholes option pricing model extracted from Bloomberg based on the following key assumptions:

a) Theoretical ex-all price up to and including 17 November 2016	RM0.225 per Share
b) Exercise price	RM0.20 per Warrant
c) Tenure	Five (5) years
d) Volatility rate	62.028%
e) Risk-free interest rate	4.04%
f) Dividend rate	Nil

Utilisation of Proceeds from the Rights Issue with Warrants.

The proceeds arising from the Rights Issue with Warrants ("Proceeds") will be utilised in the following manner:

	Note	RM	Expected time frame for utilisation of proceed (from the date of listing of the Right Shares)
Launch of new products	(i)	13,500,000	Within 18 months
Capital expenditure	(ii)	3,500,000	Within 18 months
Expansion of agriculture business operations	(iii)	8,500,000	Within 18 months
Working Capital	(iv)	511,392	Within 6 months
Estimated expenses	(v)	655,234	Within 1 month
		<u>26,666,626</u>	



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

3. Rights Issue with Warrants (Cont'd)

Notes:

- (i) *The Group intends to utilise RM13.50 million of the proceeds raised from the Rights Issue with Warrants for the launch of new products. Presently, the 3 principal markets of the Group are Malaysia, Indonesia and China. It is anticipated that the demand for health foods and supplements in these markets are on an upward trend. Thus, the Group intends to launch new products in these markets to capitalise on this trend by providing its customers with a greater range of product offerings in efforts to increase the Bioalpha Group's profitability and garner greater market share.*

The Group anticipates to utilise approximately RM5.50 million for the launch of 11 new products in the first half of 2017. The remaining RM8.00 million will be allocated accordingly to meet the funding requirements for the launch of the remaining 16 new products.

The new products to be launched in Malaysia will focus on the improvement of general health, immune system, respiratory functions and anti-ageing purposes while the new products for the Indonesian market will focus on products which enhance aesthetics and are diet-related in nature. The new products for the China market will be functional food products which improve the immune system, respiratory functions and general health.

The new products to be launched in Malaysia and China will be manufactured and packaged in Malaysia at Bioalpha Group's production facility located in Bangi, Selangor (built-up area of 13,737 square feet). The new products to be launched in Indonesia will be manufactured at Bioalpha Group's production facility located in Bangi, Selangor and packaged in Indonesia at Bioalpha Group's new facility to be commissioned and located in Kampar, Riau, Sumatra (built-up area of approximately 5,000 square feet). As at 15 November 2016, the Group has yet to incur any expenses for the launch of new products.

The proceeds proposed to be utilised for the launch of new products is expected to be allocated in the following manner:

	RM'000
<i>Purchase of raw materials</i>	7,850
<i>Packaging costs</i>	5,650
<i>Total</i>	<u>13,500</u>

The sales of the new products to be launched in Malaysia will be undertaken by Bioalpha Group's own "Constant" pharmacies as well as other third-party pharmacies. The sales of the new products to be launched in Indonesia and China will be undertaken by identified distributors appointed or distributors to be identified by the Group. Based on Bioalpha Group's audited consolidated financial statements for the FYE 2015, the Group had generated 21.07% of our revenue from the Malaysian market, while the Indonesian and Chinese market had contributed 48.50% and 28.02% respectively. The remaining revenue for the FYE 2015 was derived from the sales of Bioalpha Group's products to other countries, namely Singapore and Taiwan.

- (ii) *In line with the business expansion plans of the Bioalpha Group to launch new products in Malaysia, Indonesia and China, capital expenditure is required for the purchase of new machineries to increase the production capacity of the Bioalpha Group. The new machineries proposed to be purchased will enable the Bioalpha Group to cater to the increase in supply required to cater for the launch of new products. These new machineries will be used in the production, packaging and storage of the new products and is anticipated to enhance the production efficiency of the Group.*



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

3. Rights Issue with Warrants (Cont'd)

Notes:

- (iii) *The Group is presently involved in the business of investing, developing and managing agricultural land for the cultivation of herbal plants as part of an initiative by the Government of Malaysia to boost the herbal agriculture industry. The Group has been awarded with an aggregate of 1,298.1 acres of agriculture land through this initiative, of which 1,003.2 acres are located in Pasir Raja, Terengganu and the remaining 294.9 acres located in Desaru, Johor. The Pasir Raja Land and the Desaru Land have been first harvested since 2015 and 2012 respectively. As at 15 November 2016, approximately 123.5 acres out of the 1,003.2 acres of the Pasir Raja Land and 100 acres out of the 294.9 acres of the Desaru Land have been fully planted since 2015 and 2014 respectively. Based on the plantation cycle of the planted area on the Pasir Raja Land and Desaru Land, the herb plants planted as at 15 November 2016 are 10% and 80% matured respectively.*

The management estimates the cost to put on stream the unplanted agricultural land located in Pasir Raja, Terengganu to be approximately RM10.0 million, of which approximately RM3.0 million will be utilised for land clearing costs, purchase of seeds and planting costs while the remaining RM7.0 million will be utilised as working capital for the extraction of herbs. The Group proposes to utilise RM8.0 million of the proceeds raised from the Rights Issue with Warrants for this purposes and the remaining RM2.0 million required will be derived from internally generated funds. The types of herbs to be cultivated and harvested on the remaining 879.7 acres at the Pasir Raja Land include turmeric, ginger, tongkat ali, kacip fatimah, misai kucing, hempedu bumi and roselle. The remaining 879.7 acres of the Pasir Raja Land is expected to be fully planted in 2018 and maturing in 2020. The said remaining Pasir Raja Land is expected to be first harvested in the fourth quarter of 2017.

The management currently has no plans for the development and cultivation of the remaining Desaru Land measuring 194.9 acres within the next 2 years as our current focus is on the development and cultivation of the Pasir Raja Land. This increased focus on the development of the Pasir Raja Land was pursuant to our appointment by the ECERDC in 2014 to invest, develop and commercially manage the Pasir Raja Land.

- (iv) *The Group intends to utilise part of the proceeds raised from the Rights Issue with Warrants for general working capital purposes of the Group, including but not limited to payment of trade and other payables and other day-to-day expenses. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. In addition, the actual amount to be utilised for each component of working capital may differ subject to the operating requirements at the time of utilisation. Any additional working capital required by the Group would be funded via the Group's internally-generated funds and/or bank borrowings.*
- (v) *The estimated expenses relating to the Rights Issue with Warrants comprise of professional fees, fees payable to the relevant authorities, expenses to convene the EGM, printing, advertisement and other ancillary expenses. If the actual expenses incurred are higher/lower than budgeted, the deficit/surplus will be funded from/contributed to the portion allocated for working capital purposes.*



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)**Appendix A****BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)****4. Proposals**

The Pro forma Consolidated Statement of Financial Position of the Group has been prepared assuming the following proposals are effected as at 31 December 2015.

4.1. Pro Forma I - Rights Issue with Warrants

Pro Forma I incorporates the effects of adjustment for subsequent events and the renounceable rights issue of 133,333,131 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Bioalpha Shares held based on the issue price of RM0.20 per Rights Share, together with 133,333,131 free new detachable Warrants ("Warrants") on the basis of 1 Warrant for every 1 Rights Share subscribed.

The fair value of each Warrant is assumed to be RM0.1264 based on the Black-Scholes option pricing model extracted from Bloomberg.

The Proceeds to be raised from Rights Issue with Warrants are proposed to be utilised as described in Note 3.

4.2. Pro forma II- Assuming that the Warrants are fully exercised

Pro forma II incorporates the effect of Pro forma I and assumes that 133,333,131 Warrants are fully exercised at an exercise price of RM0.22 per Warrant.

The Proceeds to be raised from the exercise of the Warrants are proposed to be utilised as described in Note 3.

4.3. Pro forma III- Assuming that the full granting of Options

Pro forma III incorporates the effect of Pro forma II and assumes that the full granting of Options up to thirty percent (30%) of the issued and paid-up share capital of Bioalpha (excluding treasury shares) at any one time. It is the intention of the Board to implement the Share Issuance Scheme after the completion of the Rights Issue with Warrants. It is assumed that 279,999,575 Options are granted.

The fair value of each Option is assumed to be RM0.1273 based on the Black-Scholes option pricing model extracted from Bloomberg.



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

4. Proposals (Cont'd)

4.4. Pro forma IV- Assuming that the Options are fully exercised

Pro forma IV incorporates the effect of Pro forma III and assumes that 279,999,575 Options are fully exercised at an indicative exercise price of RM0.22 per Option.

5. Property, Plant and Equipment

	RM
As at 31 December 2015	26,902,893
Adjustment for Subsequent Events	1,968,441
As per Subsequent Events	<u>28,871,334</u>
Rights Issue of Shares with Warrants and utilisation of Proceeds	3,500,000
As per Pro Forma I, II, III and IV	<u>32,371,334</u>

6. Goodwill on Consolidation

	RM
As at 31 December 2015	-
Adjustment for Subsequent Events	5,334,030
As per Subsequent Events and Pro Forma I, II, III and	<u>5,334,030</u>



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

7. Inventories

	RM
As at 31 December 2015	4,664,363
Adjustment for Subsequent Events	2,881,299
As per Subsequent Events and Pro Forma I, II, III and	<u>7,545,662</u>

8. Trade Receivables

	RM
As at 31 December 2015	19,249,631
Adjustment for Subsequent Events	710,405
As per Subsequent Events and Pro Forma I, II, III and	<u>19,960,036</u>

9. Other Receivables

	RM
As at 31 December 2015	10,716,833
Adjustment for Subsequent Events	645,852
As per Subsequent Events and Pro Forma I, II, III and	<u>11,362,685</u>

10. Tax Recoverable

	RM
As at 31 December 2015	140,592
Adjustment for Subsequent Events	285,115
As per Subsequent Events and Pro Forma I, II, III and	<u>425,707</u>



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

11. Cash and Bank Balances

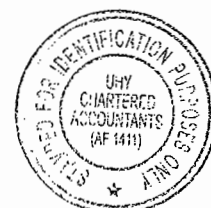
	RM
As at 31 December 2015	5,803,544
Adjustment for Subsequent Events	5,655,773
As per Subsequent Events	<u>11,459,317</u>
Rights Issue with Warrants and utilisation of Proceeds	23,166,626
Estimated transaction costs	<u>(655,234)</u>
As per Pro Forma I	33,970,709
Assuming full exercise of the Warrants	<u>29,333,289</u>
As per Pro Forma II and III	63,303,998
Assuming full exercise of the Options	<u>61,599,907</u>
As per Pro Forma IV	<u><u>124,903,905</u></u>

Note:-

For illustration purposes, the proceeds for launch of new products, expansion of agriculture business operations and working capital is included in cash and bank balances when received.

12. Share Capital

	RM
As at 31 December 2015	23,170,656
Adjustment for Subsequent Events	10,162,627
As per Subsequent Events	<u>33,333,283</u>
Rights Issue with Warrants	6,666,656
As per Pro Forma I	<u>39,999,939</u>
Assuming full exercise of the Warrants	6,666,656
As per Pro Forma II and III	<u>46,666,595</u>
Assuming full exercise of the Options	13,999,979
As per Pro Forma IV	<u><u>60,666,574</u></u>



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

13. Share Premium

	RM
As at 31 December 2015	24,361,905
Adjustment for Subsequent Events	204,630
As per Subsequent Events	<u>24,566,535</u>
Rights Issue with Warrants	<u>2,491,428</u>
As per Pro Forma I	27,057,963
Assuming full exercise of the Warrants	<u>39,519,941</u>
As per Pro Forma II and III	66,577,904
Assuming full exercise of the Options	<u>83,243,874</u>
As per Pro Forma IV	<u>149,821,778</u>

14. Warrant Reserves

	RM
As at 31 December 2015 and adjustment for Subsequent Events	-
Rights Issue with Warrants	<u>16,853,308</u>
As per Pro Forma I	16,853,308
Assuming full exercise of the Warrants	<u>(16,853,308)</u>
As per Pro Forma II, III and IV	<u>-</u>

15. Options Reserves

	RM
As at 31 December 2015, adjustment for Subsequent Events and Pro Forma I and II	-
Assuming full granting of the Options	<u>35,643,946</u>
As per Pro Forma III	35,643,946
Assuming full exercise of the Options	<u>(35,643,946)</u>
As per Pro Forma IV	<u>-</u>



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

16. Retained Earnings

	RM
As at 31 December 2015, adjustment for Subsequent Events and Pro Forma I and II Assuming full granting of the Options As per Pro Forma III and IV	36,439,983 <u>(35,643,946)</u> <u>796,037</u>

17. Finance Lease Liabilities

	RM
As at 31 December 2015 Adjustment for Subsequent Events As per Subsequent Events and Pro Forma I, II, III and	393,950 15,032 <u>408,982</u>

18. Bank Borrowings

	RM
As at 31 December 2015 Adjustment for Subsequent Events As per Subsequent Events and Pro Forma I, II, III and	1,538,135 2,524,460 <u>4,062,595</u>



REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (Cont'd)

Appendix A

**BIOALPHA HOLDINGS BERHAD ("BIOALPHA" OR "COMPANY") AND ITS SUBSIDIARIES ("BIOALPHA GROUP" OR "GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)**

19. Deferred Tax Liabilities

	RM
As at 31 December 2015	2,645,605
Adjustment for Subsequent Events	10,308
As per Subsequent Events and Pro Forma I, II, III and	<u>2,655,913</u>

20. Trade Payables

	RM
As at 31 December 2015	178,159
Adjustment for Subsequent Events	3,913,784
As per Subsequent Events and Pro Forma I, II, III and	<u>4,091,943</u>

21. Other Payables

	RM
As at 31 December 2015	5,134,136
Adjustment for Subsequent Events	650,074
As per Subsequent Events and Pro Forma I, II, III and	<u>5,784,210</u>



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON



CERTIFIED TRUE COPY

.....
NG WEE TEIK
CA (M), FCCA (UK), ACTIM
Partner

BIOALPHA HOLDINGS BERHAD
(Company No.: 949536-X)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2015

Registered office:
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Principal place of business:
No. 10, Jalan P/9A
Seksyen 13
43650 Bandar Baru Bangi
Selangor Darul Ehsan



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)**REPORTS AND FINANCIAL STATEMENTS****31 DECEMBER 2015****INDEX**

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 2015
TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal Activities

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

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

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

Financial Results

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

Reserves and Provisions

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

Options Granted Over Unissued Shares

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