Dividends

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

	RM
An interim single-tier tax exempt dividend of RM0.0009 per ordinary shares in respect of the financial year ended 31 December 2015 on 8 January 2016	417,072

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

Issue of Shares and Debentures

During the financial year, the Company increased its issued and paid-up share capital from 363,413,114 to 463,413,114 through the creation of 100,000,000 new ordinary shares of RM0.05 at RM0.20 for a total cash consideration of RM20,000,000 for public issue and listing.

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

There was no issuance of debentures during the financial year.

Directors

The Directors in office since the date of the last report are as follows:

Tan Sri Abdul Rahman Bin Mamat
Hon Tian Kok @ William
Ho Tze Hiung
Dr Nik Ismail Bin Nik Daud
Dato' Norhalim Bin Yunus
Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir
Dato' Rosely Bin Samsuri
Tan Sri Dato' Dr. Syed Jalaludin Bin Syed Salim
Mohd Nasir Bin Abdullah

Directors' Interests

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

	No. of ordinary shares of RM0.05 each			
	At 1.1.2015	**Addition**	**Disposal**	**At 31.12.2015**
Interest in the Company:				
Direct interests				
Hon Tian Kok @ William	122,103,560	21,555,157	60,830,000	82,828,717
Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir	3,643,037	-	1,212,268	2,430,769

By virtue of his interest in the shares of the Company, Hon Tian Kok @ William is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent the Company has and interest under section 6A of the Companies Act, 1965.

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

Directors' Benefits

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

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

Other Statutory Information

(a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other Statutory Information (Cont'd)

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

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

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

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

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

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

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

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

(d) In the opinion of Directors:

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

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

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

Significant and Subsequent Events

The significant and subsequent events are disclosed in Notes 35 and 36 respectively.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2016.

HON TIAN KOK @ WILLIAM

HO TZE HIUNG

KUALA LUMPUR

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 83 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year ended.

The supplementary information set out in Note 38 to the financial statements on page 84 have been compiled in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2016.

HON TIAN KOK @ WILLIAM

HO TZE HIUNG

KUALA LUMPUR

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, HON TIAN KOK @ WILLIAM, being the Director primarily responsible for the financial management of Bioalpha Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 83 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 25 April 2016)

HON TIAN KOK @ WILLIAM

Before me,

COMMISSIONER OF OATHS

PESURUHJAYA SUMPAH
No. W 521
MOHAN A.S. MANIAM
MALAYSIA

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

UHY

UHY (AF1411)
Chartered Accountants
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Mid Valley City
Lingkaran Syed Putra
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Web www.uhy.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD
(Company No.: 949536-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Bioalpha Holdings Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 83.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (CONT'D)
(Company No.: 949536-X)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 38 on page 84 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOALPHA HOLDINGS BERHAD (CONT'D)
(Company No.: 949536-X)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY

UHY
Firm Number: AF 1411
Chartered Accountants

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

KUALA LUMPUR

25 APRIL 2016

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	26,902,893	24,302,859	839	944
Investment in subsidiary companies	5	-	-	12,719,130	12,719,130
Development expenditures	6	12,970,672	8,076,159	-	-
		39,873,565	32,379,018	12,719,969	12,720,074
Current Assets					
Biological assets	7	282,765	-	-	-
Inventories	8	4,664,363	4,061,491	-	-
Trade receivables	9	19,249,631	12,829,703	-	-
Other receivables	10	10,716,833	7,274,313	26,178	684,853
Amount owing by subsidiary companies	11	-	-	27,943,493	16,989,009
Tax recoverable		140,592	68,026	-	-
Fixed deposits with licensed banks	12	7,965,440	1,115,786	5,000,000	-
Cash and bank balances		5,803,544	8,706,259	14,785	6,437
		48,823,168	34,055,578	32,984,456	17,680,299
Total Assets		88,696,733	66,434,596	45,704,425	30,400,373

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
EQUITY					
Share capital	13	23,170,656	18,170,656	23,170,656	18,170,656
Share premium	14	24,361,905	11,556,808	24,361,905	11,556,808
Merger deficits	15	(4,969,130)	(4,969,130)	-	-
Retained earnings/ (Accumulated losses)		36,439,983	29,649,920	(2,292,385)	(87,964)
Equity attributable to owners of the parent		79,003,414	54,408,254	45,240,176	29,639,500
Non-controlling interests		(277,262)	(128,178)	-	-
Total Equity		78,726,152	54,280,076	45,240,176	29,639,500
LIABILITIES					
Non-Current Liabilities					
Finance lease liabilities	16	249,824	288,827	-	-
Bank borrowings	17	691,707	2,252,713	-	-
Deferred tax liabilities	18	2,645,605	1,936,735	-	-
		3,587,136	4,478,275	-	-
Current Liabilities					
Trade payables	19	178,159	392,340	-	-
Other payables	20	5,134,136	5,762,414	448,972	749,486
Amount owing to a Director	21	22,049	22,119	1,049	1,049
Finance lease liabilities	16	144,126	274,122	-	-
Bank borrowings	17	846,428	1,209,937	-	-
Tax payables		58,547	15,313	14,228	10,338
		6,383,445	7,676,245	464,249	760,873
Total Liabilities		9,970,581	12,154,520	464,249	760,873
Total Equity and Liabilities		88,696,733	66,434,596	45,704,425	30,400,373

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Revenue	22	29,720,283	27,114,575	648,000	360,000
Cost of sales		(13,654,280)	(13,908,881)	-	-
Gross profit		16,066,003	13,205,694	648,000	-
Other income		3,648,487	4,592,604	567,483	606,353
Administration expenses		(12,105,227)	(10,776,346)	(2,960,827)	(382,775)
Finance costs	23	(306,673)	(235,763)	-	-
Profit/(Loss) before taxation	24	7,302,590	6,786,189	(1,745,344)	583,578
Taxation	25	(844,539)	(489,177)	(42,005)	(46,412)
Net profit/(loss) for the financial year, representing total comprehensive income/(loss) for the financial year		6,458,051	6,297,012	(1,787,349)	537,166
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		6,796,465	6,432,590	(1,787,349)	537,166
Non-controlling interests		(338,414)	(135,578)	-	-
		6,458,051	6,297,012	(1,787,349)	537,166
Earnings per share	26				
Basic (sen)		1.55	1.77		
Diluted (sen)		NA	NA		

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Attributable to Owners of the parent						
		Non- Distributable			Distributable			
Group	Note	Share Capital RM	Share Premium RM	Merger Deficits RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2014		18,170,656	11,556,808	(4,969,130)	23,692,330	48,450,664	7,400	48,458,064
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	6,432,590	6,432,590	(135,578)	6,297,012
Transaction with owners:								
Dividends to owners of the Company	27	-	-	-	(475,000)	(475,000)	-	(475,000)
At 31 December 2014		18,170,656	11,556,808	(4,969,130)	29,649,920	54,408,254	(128,178)	54,280,076

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

		Attributable to Owners of the parent						
		Non- Distributable			Distributable			
Group	**Note**	**Share Capital RM**	**Share Premium RM**	**Merger Deficits RM**	**Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
At 1 January 2015		18,170,656	11,556,808	(4,969,130)	29,649,920	54,408,254	(128,178)	54,280,076
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	-	6,796,465	6,796,465	(338,414)	6,458,051
Transaction with owners:								
Dividends to owners of the Company	27	-	-	-	(417,072)	(417,072)	-	(417,072)
Issue of ordinary shares	13, 14	5,000,000	12,805,097	-	-	17,805,097	-	17,805,097
Change in ownership interest in a subsidiary company		-	-	-	410,670	410,670	189,330	600,000
Total transactions with owners		5,000,000	12,805,097	-	(6,402)	17,798,695	189,330	17,988,025
At 31 December 2015		23,170,656	24,361,905	(4,969,130)	36,439,983	79,003,414	(277,262)	78,726,152

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

Company	Note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total Equity RM
At 1 January 2014		18,170,656	11,556,808	(150,130)	29,577,334
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	537,166	537,166
Transaction with owners:					
Dividend to owners of the Company	27	-	-	(475,000)	(475,000)
At 31 December 2014		18,170,656	11,556,808	(87,964)	29,639,500
At 1 January 2015		18,170,656	11,556,808	(87,964)	29,639,500
Net loss for the financial year, representing total comprehensive loss for the financial year		-	-	(1,787,349)	(1,787,349)
Transaction with owners					
Dividends to owners of the Company	27	-	-	(417,072)	(417,072)
Issued of ordinary shares	13, 14	5,000,000	12,805,097	-	17,805,097
Total transactions with owners		5,000,000	12,805,097	(417,072)	17,388,025
At 31 December 2015		23,170,656	24,361,905	(2,292,385)	45,240,176

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Cash Flows From Operating Activities				
Profit/(loss) before taxation	7,302,590	6,786,189	(1,745,344)	583,578
Adjustments for:				
Amortisation of development expenditures	1,339,450	966,926	-	-
Bad debts written off	6,854	1,700	-	-
Dividend income from a subsidiary company		-	(417,072)	(475,000)
Deposits written off	52,074	-	-	-
Depreciation of property, plant and equipment	3,390,717	2,397,984	105	105
Gain on disposal of property, plant and equipment	(9,434)	-	-	-
Grant income	(3,112,760)	(4,226,773)	-	-
Impairment loss on trade receivables	128,844	125,273	-	-
Interest expenses	306,673	235,763	-	-
Interest income	(203,910)	(204,397)	(150,411)	(131,353)
Inventories written off	1,993	-	-	-
Listing expenses written off	2,350,548	-	2,173,826	-
Reversal of impairment on trade receivebles	(27,135)	-	-	-
Unrealised gain on foreign exchange	(96,163)	-	-	-
Operating profit/(loss) before working capital changes	11,430,341	6,082,665	(138,896)	(22,670)
Changes in working capital:				
Biological assets	(282,765)	-	-	-
Inventories	(604,865)	(1,134,916)	-	-
Trade receivables	(6,503,364)	14,091	-	-
Other receivables	(549,892)	1,078,262	658,675	(684,853)
Trade payables	(214,181)	(854,295)	-	-
Other payables	(367,178)	761,648	(491,492)	431,119
Amounts owing by subsidiary companies	-	-	(10,954,484)	(8,512,400)
Amounts owing to a Director	(70)	(76,353)	-	-
	(8,522,315)	(211,563)	(10,787,301)	(8,766,134)

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

		Group		Company	
		2015	2014	2015	2014
	Note	RM	RM	RM	RM
Cash generated from/(used in) operations		2,908,026	5,871,102	(10,926,197)	(8,788,804)
Interest paid		(306,673)	(235,763)	-	-
Interest received		203,910	204,397	150,411	131,353
Tax paid		(165,001)	(204,746)	(38,115)	(36,074)
Tax refunded		-	-	-	-
		(267,764)	(236,112)	112,296	95,279
Net cash from/(used in) operating activities		2,640,262	5,634,990	(10,813,901)	(8,693,525)
Cash Flows From Investing Activities					
Additional of development expenditure	6	(6,233,963)	(3,515,649)	-	-
Purchase of property, plant and equipment	4(e)	(2,604,526)	(3,417,517)	-	-
Proceed from disposal of property, plant and equipment		9,434	-	-	-
Dividend received		-	-	417,072	475,000
Deposits paid for purchase of property, plant and equipment		(6,006,727)	(4,167,585)	-	-
Net cash (used in)/from investing activities		(14,835,782)	(11,100,751)	417,072	475,000
Cash Flows From Financing Activities					
Net changes on banker's acceptance		(600,000)	6,018	-	-
Dividend paid		(226,094)	(248,906)	(226,094)	(248,906)
Drawdown of term loans		750,000	-	-	-
Grant received		2,660,682	4,717,079	-	-
Decreased/(Increased) in fixed deposits pledged		(49,435)	(86,369)	-	-
Proceed from issuance of share capital	13, 14	20,000,000	-	20,000,000	-
Payment of share issue expenses		(4,545,451)	-	(4,368,729)	-
Additional investment by non-controlling interests		600,000	-	-	-
Repayment of finance lease payables		(493,199)	(260,833)	-	-
Repayment of term loans		(2,479,497)	(230,130)	-	-
Net cash from/(used in) financing activities		15,617,006	3,896,859	15,405,177	(248,906)

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONT'D)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Net increase/(decrease) in cash and cash equivalents	3,421,486	(1,568,902)	5,008,348	(8,467,431)
Effect of exchange rate changes	71,036	-	-	-
Cash and cash equivalents at the beginning of the financial year	8,623,106	10,192,008	6,437	8,473,868
Cash and cash equivalents at the end of the financial year	12,115,628	8,623,106	5,014,785	6,437
Cash and cash equivalents at end of the financial year comprises:				
Cash and bank balances	5,803,544	8,706,259	14,785	6,437
Fixed deposits with licensed banks	7,965,440	1,115,786	5,000,000	-
Less: Bank overdraft	(788,135)	(383,153)	-	-
	12,980,849	9,438,892	5,014,785	6,437
Less: Fixed deposits pledged with licensed banks	(865,221)	(815,786)	-	-
	12,115,628	8,623,106	5,014,785	6,437

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

BIOALPHA HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

The registered office of the Company is located at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 10, Jalan P/9A, Seksyen 13, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

2. **Basis of Preparation**

(a) **Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Adoption of new and amended standards

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

Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

Adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	To be announced

The Group and the Company intend to adopt the above MFRSs when they become effective.

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

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

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue,* MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 15 *Revenue from Contracts with Customers* (Cont'd)

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

The amendments introduce a new category for biological asset, i.e. the bearer plants. A bearer plant is seen as similar to an item of machinery as it is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce. Therefore, bearer plants are measured either at cost or revalued amounts, less accumulated depreciation and impairment losses, similar to plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows. The Group is in the process of assessing the impact of the amendments.

MFRS 16 *Leases*

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

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

2. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

MFRS 16 *Leases* (Cont'd)

The Directors of the Company will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

(b) **Functional and presentation currency**

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

(c) **Significant accounting judgments, estimates and assumptions**

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

Judgments

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

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

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of development costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generations of the project, discount rates to be applied and the expected period of benefits. The carrying amount at the reporting date for development costs is disclosed in Note 6.

Recoverability of development costs

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

The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed the Directors' previous estimates of anticipated revenues from the project. However, increased competitor activity has caused the Directors to reconsider their assumptions regarding future market share and anticipated margins of this product. Detailed sensitivity analysis has been carried out and the Directors are confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if market activity indicates that such adjustments are appropriate. The carrying amount at the reporting date for development costs is disclosed in Note 6.

Amortisation of development costs

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

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 10 and 11 respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 18.

2. **Basis of Preparation (Cont'd)**

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

Key sources of estimation uncertainty (Cont'd)

Income taxes

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

The Group and the Company recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. **Significant Accounting Policies**

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

(a) **Basis of consolidation**

(i) **Subsidiary companies**

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

Subsidiary companies are consolidated using the acquisition method of accounting except for the business combination with Bioalpha International Sdn. Bhd. and its subsidiary companies, Bioalpha R&D Sdn. Bhd. and Botanical Distribution Sdn. Bhd., which was accounted for under the merger method of accounting as the business combination of this subsidiary company involved an entity under common control.

3. **Significant Accounting Policies (Cont'd)**

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

(i) **Subsidiary companies (Cont'd)**

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

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

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

3. **Significant Accounting Policies (Cont'd)**

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

(i) **Subsidiary companies (Cont'd)**

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

(iii) **Disposal of subsidiary companies**

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

3. **Significant Accounting Policies (Cont'd)**

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

(iv) **Goodwill on consolidation**

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

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

(b) **Foreign currency transaction and balances**

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

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

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

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment

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

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

3. **Significant Accounting Policies (Cont'd)**

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

(iii) **Depreciation**

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

Leasehold land	Over the remaining lease
Factory building	50 years
Computer system and peripherals	5 years
Motor vehicles	5 years
Furniture and fittings	10 years
Lab and office equipments	5 to 10 years
Plant and machineries	10 years
Renovations	10 years
Infrastructure expenditures	10 years
Signage and display items	10 years

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

(d) **Biological assets**

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

As each reporting date, the Group considers the nature of plantation activities being growing and managing herbal plantations for the sale of herbal. The biological assets have been stated at cost less accumulated depreciation and accumulated impairment if any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available. The oil palm trees are considered to be matured by 7 to 84 months after the initial field planting.

(e) **Leases**

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

3. **Significant Accounting Policies (Cont'd)**

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

As lessee

(i) **Finance lease**

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

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

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or both.

(ii) **Operating lease**

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

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

As lessor

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

3. **Significant Accounting Policies (Cont'd)**

(f) **Intangible assets**

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

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure in recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) **Intangible assets acquired separately**

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

(iii) **Derecognition of intangible assets**

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

See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets for intangible assets.

3. **Significant Accounting Policies (Cont'd)**

(g) **Financial assets**

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into loans and receivables

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

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

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

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received is recognised in the profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(h) **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities measured at amortised costs.

The Group's and the Company's financial liabilities comprise trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

<u>Financial guarantee contracts</u>

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (cont'd)

Derecognition of financial liabilities

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

(i) Offsetting of financial instruments

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

(j) Inventories

Raw materials, consumables and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material is determined on first-in-first-out basis. Cost of finished goods and consumables consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity).

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

(k) Cash and cash equivalents

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

3. **Significant Accounting Policies (Cont'd)**

(l) **Impairment of assets**

(i) **Non-financial assets**

The carrying amounts of non-financial assets (except for inventories, amount due from contract customers, deferred tax assets, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

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

3. **Significant Accounting Policies (Cont'd)**

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

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

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

(ii) **Financial assets**

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

Financial assets carried at amortised cost

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

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

3. **Significant Accounting Policies (Cont'd)**

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

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

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

(m) **Provisions**

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

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

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

(n) **Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

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

3. **Significant Accounting Policies (Cont'd)**

(o) **Borrowing costs**

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

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

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

(p) **Employee benefits**

(i) **Short term employee benefits**

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

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

(ii) **Defined contribution plans**

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. **Significant Accounting Policies (Cont'd)**

(q) **Segments reporting**

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

(r) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) **Sales of goods**

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when of significant risks and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) **Rendering of services**

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) **Interest income**

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

(iv) **Rental income**

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

(v) **Dividend income**

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

(vi) **Management fee**

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

3. Significant Accounting Policies (Cont'd)

(s) Income taxes

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

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

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

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3. Significant Accounting Policies (Cont'd)

(t) Government grants

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

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

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

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

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

4. **Property, Plant and Equipment**

	Leasehold land and factory building RM	Computer system and peripherals RM	Furniture and fittings RM	Lab and office equipments RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infrastructure expenditures RM	Capital work-in-progress RM	Total RM
Group											
2015											
Cost											
At 1 January 2015	4,067,129	494,799	207,603	573,446	607,503	19,049,445	3,765,616	1,012,188	1,222,500	468,500	31,468,729
Additions	-	84,957	49,157	111,319	474,004	4,513,548	531,633	44,642	113,572	67,919	5,990,751
Disposal	-	-	-	-	(27,964)	-	-	-	-	-	(27,964)
At 31 December 2015	4,067,129	579,756	256,760	684,765	1,053,543	23,562,993	4,297,249	1,056,830	1,336,072	536,419	37,431,516
Accumulated depreciation											
At 1 January 2015	109,038	288,740	82,241	157,914	295,736	4,549,315	1,052,675	263,461	366,750	-	7,165,870
Charge for the financial year	73,954	49,667	24,445	91,416	157,193	2,360,064	406,517	102,269	125,192	-	3,390,717
Disposal	-	-	-	-	(27,964)	-	-	-	-	-	(27,964)
At 31 December 2015	182,992	338,407	106,686	249,330	424,965	6,909,379	1,459,192	365,730	491,942	-	10,528,623
Carrying amount											
At 31 December 2015	3,884,137	241,349	150,074	435,435	628,578	16,653,614	2,838,057	691,100	844,130	536,419	26,902,893

4. **Property, Plant and Equipment (Cont'd)**

	Leasehold land and factory building RM	Computer system and peripherals RM	Furniture and fittings RM	Lab and office equipments RM	Motor vehicles RM	Plant and machineries RM	Renovations RM	Signage and display items RM	Infrastructure expenditures RM	Capital work-in-progress RM	Total RM
Group											
2014											
Cost											
At 1 January 2014	3,787,179	297,320	145,310	434,375	607,503	11,994,681	2,957,883	690,461	1,222,500	-	22,137,212
Additions	279,950	197,479	62,293	139,071	-	7,054,764	807,733	321,727	-	468,500	9,331,517
At 31 December 2014	4,067,129	494,799	207,603	573,446	607,503	19,049,445	3,765,616	1,012,188	1,222,500	468,500	31,468,729
Accumulated depreciation											
At 1 January 2014	60,998	242,974	62,884	86,229	187,129	2,981,976	718,015	183,181	244,500	-	4,767,886
Charge for the financial year	48,040	45,766	19,357	71,685	108,607	1,567,339	334,660	80,280	122,250	-	2,397,984
At 31 December 2014	109,038	288,740	82,241	157,914	295,736	4,549,315	1,052,675	263,461	366,750	-	7,165,870
Carrying amount											
At 31 December 2014	3,958,091	206,059	125,362	415,532	311,767	14,500,130	2,712,941	748,727	855,750	468,500	24,302,859

4. Property, Plant and Equipment (Cont'd)

	Company	
	2015	**2014**
	RM	**RM**
Office equipment		
Cost		
At 1 January/31 December	1,049	1,049
Accumulated depreciation		
At 1 January	105	-
Charge for the financial year	105	105
At 31 December	210	105
Carrying amount		
At 31 December	839	944

(a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 17:

	Group	
	2015	**2014**
	RM	**RM**
Leasehold land and factory building	-	3,958,091

(b) The remaining lease period of the leasehold land and factory building is 91 years (2014: 92 years).

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

The carrying amount of property, plant and equipment of the Group pledged to Malaysia Biotechnology Corporation Sdn. Bhd. ("MBC") as securities for the credit facility as disclosed in Note 17:

	Group	
	2015	**2014**
	RM	**RM**
Plant and machineries	750,000	-

4. **Property, Plant and Equipment (Cont'd)**

(d) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group held under finance leases are as follows:

	Group 2015 RM	Group 2014 RM
Plant and machineries	-	352,647
Motor vehicles	528,294	195,888
	528,294	548,535

The leased assets are pledged as security for finance lease liabilities as disclosed in Note 16.

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

	Group 2015 RM	Group 2014 RM
Aggregate costs	5,990,751	9,331,517
Less: Reclassified from other receivables	(3,062,025)	(5,914,000)
Less: Finance leases	(324,200)	-
Cash payments	2,604,526	3,417,517

5. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

	Company 2015 RM	Company 2014 RM
At Cost		
In Malaysia:		
Unquoted shares	12,719,130	12,719,130

5. **Investment in Subsidiary Companies (Cont'd)**

(b) All the subsidiary companies are incorporated in Malaysia and details of the subsidiary companies are as follows:

Name of company	Effective Interest 2015 %	Effective Interest 2014 %	Principal activities
Direct holdings:			
Bioalpha International Sdn. Bhd.	100	100	Research and development and manufacturers, importers, exporters, distribution and traders of nutritional and healthcare products
Bioalpha R&D Sdn. Bhd.	100	100	Research and development and manufacturers, suppliers, distributors, wholesalers or retailers of healthcare and nutritional products
Botanical Distribution Sdn. Bhd.	100	100	Suppliers, distributors, direct selling agents, wholesaler or retailer or healthcare and nutrition products
Indirect holdings:			
Held through Bioalpha International Sdn. Bhd.			
Bioalpha Agro Sdn. Bhd.	72	72	Import, export, cultivate, manufacture, distribute and trade in variety of agro products, medical herbs and *cordyceps*
Bioalpha East Coast Agro Sdn. Bhd.	100	100	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products

5. Investment in Subsidiary Companies (Cont'd)

(b) All the subsidiary companies are incorporated in Malaysia and details of the subsidiary companies are as follows: (Cont'd)

Name of company	Effective Interest 2015 %	Effective Interest 2014 %	Principal activities
Indirect holdings: **Held through Botanical Distribution Sdn. Bhd.**			
Alphacare Sdn. Bhd.	70	100	Concept shop operators, general merchants, online trading agents, franchisors, wholesaler or retailer of healthcare, nutritional products, food & beverages
Indirect holdings: **Held through Bioalpha Agro Sdn. Bhd.**			
Bioalpha (Johor Herbal) Sdn. Bhd.	50.4	50.4	Planters, growers, and merchant in all kinds of herbs, fruits, agricultural, agro and organic products

(c) Material partly-owned subsidiary companies

Set out below are the Group's subsidiary companies that have material non-controlling interest:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2015	2014	2015	2014	2015	2014
	%	%	RM	RM	RM	RM
Bioalpha Agro Sdn. Bhd. ('BASB')	28	28	(74,708)	(3,317)	58,470	133,178
Bioalpha (Johor Herbal) Sdn. Bhd. ('BJHSB')	49.6	49.6	(104,229)	(132,261)	(365,585)	(261,356)
Alphacare Sdn. Bhd. ("Alpha")	30	-	(159,477)	-	29,853	-
Total non-controlling interests			(338,414)	(135,578)	(277,262)	(128,178)

5. Investment in Subsidiary Companies (Cont'd)

(c) Material partly-owned subsidiaries (Cont'd)

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

(i) Summarised statements of financial position

	BASB RM	BJHSB RM	ALPHA RM
2015			
Summarised statements of financial position			
Non-current assets	774,647	16,531	783,944
Current assets	2,025,376	20,743	624,145
Non-current liabilities	(99,003)	-	-
Current liabilities	(2,492,198)	(766,437)	(1,308,579)
Net assets/(liabilities)	208,822	(729,163)	99,510
2014			
Summarised statements of financial position			
Non-current assets	910,471	27,767	807,129
Current assets	2,050,162	9,947	1,187,339
Non-current liabilities	(141,022)	-	-
Current liabilities	(2,512,292)	(552,816)	(1,597,963)
Net assets/(liabilities)	307,319	(515,102)	396,505

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

	BASB RM	BJHSB RM	ALPHA RM
2015			
Summarised statements of profit or loss and other comprehensive income			
Revenue	1,539,500	108,892	513,303
Net loss for the financial year, representing total comprehensive loss for the financial year	(98,497)	(214,061)	(896,995)
2014			
Summarised statements of profit or loss and other comprehensive income			
Revenue	2,167,020	117,000	899,363
Net loss for the financial year, representing total comprehensive loss for the financial year	(11,847)	(266,656)	(962,338)

5. Investment in Subsidiary Companies (Cont'd)

(c) Material partly-owned subsidiaries (Cont'd)

Summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations. (Cont'd)

(iii) Summarised statements of cash flows

	BASB RM	BJHSB RM	ALPHA RM
2015			
Summarised statements of cash flows			
Net cash (used in)/from operating activities	(770,213)	3,148	(522,794)
Net cash used in investing activities	-	-	(75,000)
Net cash used in financing activities	(11,754)	-	600,000
Net (decrease)/increase in cash and cash equivalents	(781,967)	3,148	2,206
2014			
Summarised statements of cash flows			
Net cash from/(used in) operating activities	808,339	2,821	(540,258)
Net cash used in investing activities	-	(13,500)	(853,596)
Net cash used in financing activities	(10,055)	-	1,399,998
Net increase/(decrease) in cash and cash equivalents	798,284	(10,679)	6,144

(d) Acquisition of subsidiary company

On 22 June 2015, Bioalpha East Coast Agro Sdn. Bhd ("BECA"), a wholly-owned subsidiary of Bioalpha International Sdn. Bhd. ("BISB") has increased its issued and paid-up share capital from 200,000 to 1,000,000 ordinary shares of RM1.00 each. BISB has subscribed for its additional 800,000 ordinary shares in BECA by way of capitalisation of amount owing to holding company.

On 28 December 2015, BECA has increased its issued and paid-up share capital from 1,000,000 to 2,000,000 ordinary shares of RM1.00 each. BISB also has subscribed for its additional 1,000,000 ordinary shares in BECA by way of capitalisation of amount owing to holding company.

5. **Investment in Subsidiary Companies (Cont'd)**

(e) Changes in equity interest in a subsidiary company

On 14 May 2015, Alphacare Sdn. Bhd ("Alpha"), a wholly-owned subsidiary of Botanical Distribution Sdn. Bhd. ("BDSB") has increased its paid-up share capital from 1,400,000 to 2,000,000 ordinary shares of RM1.00 each. The new ordinary shares are subscribed by MyAngkasa Farmasi Sdn. Bhd. ("MFSB") at a total cash consideration of RM600,000. Consequently, BDSB's shareholding in Alpha has diluted from 100% to 70%.

The effect of changes in the equity interest that is attributable to owners of the parent is as follows:

	RM
Carrying amount of non-controlling interests diluted	(189,330)
Consideration paid by non-controlling interests	600,000
Increase in parent's equity	410,670

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

6. **Development Expenditures**

	Group	
	2015	**2014**
	RM	**RM**
Cost		
At 1 January	10,084,140	6,568,491
Additions	6,233,963	3,515,649
At 31 December	16,318,103	10,084,140
Accumulated amortisation		
At 1 January	2,007,981	1,041,055
Amortisation for the financial year	1,339,450	966,926
At 31 December	3,347,431	2,007,981
Carrying amount		
31 December	12,970,672	8,076,159

Development expenditure represents the costs incurred in respect of the on-going development of *Andrographis paniculata, Labisia pumila, Cordyceps sinensis and Lignosus rhinoceros* as an active biological compound for use in health formulations.

7. Biological Assets

	Group 2015 RM	Group 2014 RM
Cost		
At 1 January	-	-
Addition	282,765	-
At 31 December	282,765	-
Carrying amount		
At 31 December	282,765	-

Biological assets, include expenditure incurred on land clearing, planting, fertilising and other associated costs incurred to upkeep of the crops to maturity are capitalised at cost as biological assets carrying amount. On maturity, the matured plantations are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

The biological assets have been stated at cost less accumulated depreciation and accumulated impairment if any, as there is currently no active market of the biological asset nor reliable alternative estimates of fair value available.

As at 31 December 2015, the Group has 123 acres (2014: Nil) of herbal plantations.

8. Inventories

	Group 2015 RM	Group 2014 RM
At costs		
Raw materials	4,169,312	3,689,963
Consumables	206,299	101,820
Finished goods	288,752	269,708
	4,664,363	4,061,491
Recognised in profit or loss:		
Inventories recognised as cost of sales	8,038,637	9,759,656
Inventories written off	1,993	-

9. Trade Receivables

	Group 2015 RM	Group 2014 RM
Trade receivables	19,476,613	12,954,976
Less: Accumulated impairment	(226,982)	(125,273)
	19,249,631	12,829,703

The Group's normal trade credit terms are 30 to 180 days (2014: 30 to 180 days). Other credit terms are assessed and approved on a case to case basis.

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Movements in the allowance for impairment losses of trade receivables of the Group are as follows:

	Group 2015 RM	Group 2014 RM
At 1 January	125,273	-
Impairment loss recognised	128,844	125,273
Reversal of impairment	(27,135)	-
At 31 December	226,982	125,273

Analysis of the trade receivables ageing of the Group as at the end of the financial year is as follows:

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	3,885,749	5,031,043
Past due not impaired:		
Less than 30 days	3,597,242	2,129,247
31 - 90 days	7,869,872	3,105,246
91 - 180 days	3,571,799	2,148,091
More than 180 days	324,969	416,076
	15,363,882	7,798,660
	19,249,631	12,829,703
Impaired	226,982	125,273
	19,476,613	12,954,976

9. **Trade Receivables (Cont'd)**

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

As at 31 December 2015, trade receivables of RM15,349,942 (2014: RM7,798,660) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

Trade receivables of the Group that are individually assessed to be impaired amounting to RM226,982 (2014: RM125,273), related to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

Credit risk concentration profile

The Group has significant concentrations of credit risk arising from 12 (2014: 8) major customers that represent approximately 49% (2014: 69%) of the gross trade receivables balance at end of the reporting period.

10. **Other Receivables**

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	2,723,907	1,451,227	-	-
Deposits	663,858	4,819,493	-	-
Prepayments	7,329,068	1,003,593	26,178	684,853
	10,716,833	7,274,313	26,178	684,853

(a) Included in the deposits of the Group amounting to RM294,520 (2014: RM3,062,025) are paid for purchases of property, plant and equipment.

(b) Included in the prepayments of the Group amounting to RM2,128,657 (2014:RM Nil) and RM3,583,550 (2014: RM Nil) are paid for purchases of property, plant and equipment and research development expenditure respectively.

11. **Amount Owing by Subsidiary Companies**

These represent unsecured, interest free advances and are repayable on demand.

12. Fixed Deposits with Licensed Banks

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Fixed deposit with licensed banks maturity less than three months	7,100,219	300,000	5,000,000	-
Pledged fixed deposit with licensed bank	865,221	815,786	-	-
	7,965,440	1,115,786	5,000,000	-

The interest rates of fixed deposits of the Group and of the Company are range from 2.00% to 3.90% (2014: 3.20% to 3.40%) per annum and 3.90% (2014: Nil) per annum respectively. The maturities of deposits of the Group and of the Company are range from 4 to 365 days (2014: 180 to 365 days).

The fixed deposits with licensed banks of the Group amounted to RM565,221 (2014: RM815,786) and RM300,000 (2014: Nil) are pledged to licensed banks and non-financial institution respectively as securities for credit facilities granted to subsidiary companies as disclosed in Note 17.

13. Share Capital

	Group and Company			
	<--Number of Shares -->		<-------- Amount -------->	
	2015 Units	2014 Units	2015 RM	2014 RM
Ordinary shares of RM0.05 each:				
Authorised				
At 1 January/ 31 December	500,000,000	500,000,000	25,000,000	25,000,000
Issued and fully paid share capital:				
At 1 January	363,413,114	363,413,114	18,170,656	18,170,656
Issued during the financial year	100,000,000	-	5,000,000	-
At 31 December	463,413,114	363,413,114	23,170,656	18,170,656

13. Share Capital (Cont'd)

During the financial year, the Company increased its issued and paid-up share capital from 363,413,114 to 463,413,114 through the creation of 100,000,000 new ordinary shares of RM0.05 at RM0.20 for a total cash consideration of RM20,000,000 for public issue and listing.

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

14. Share Premium

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Non-distribution:				
Share premium				
At 1 January	11,556,808	11,556,808	11,556,808	11,556,808
Premium from public issue	15,000,000	-	15,000,000	-
Listing expenses	(2,194,903)	-	(2,194,903)	-
At 31 December	24,361,905	11,556,808	24,361,905	11,556,808

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

15. Merger Deficits

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

	Group	
	2015	**2014**
	RM	**RM**
Cost of merger	12,719,130	12,719,130
Less: Net assets of subsidiary companies	(7,750,000)	(7,750,000)
Merger deficits	4,969,130	4,969,130

16. Finance Lease Liabilities

	Group 2015 RM	Group 2014 RM
Minimum lease payments:		
Within one year	127,374	297,925
Later than one year and not later than two years	236,810	300,046
Later than two year and not later than five years	63,948	-
	428,132	597,971
Less: Future finance charges	(34,182)	(35,022)
Present value of minimum finance lease payables	393,950	562,949
Present value of minimum finance lease payments		
Within one year	144,126	274,122
Later than one year and not later than two years	189,610	288,827
Later than two year and not later than five years	60,214	-
	393,950	562,949
Analysed as:		
Repayable within twelve months	144,126	274,122
Repayable after twelve months	249,824	288,827
	393,950	562,949

The obligations under finance leases are secured by a charge over the leased assets (Note 4(d)). The interest rate of the Company for the finance leases as at reporting date is ranging 2.54% to 4.05% (2014: 2.55% to 4.00%) per annum.

17. Bank Borrowings

	Group 2015 RM	Group 2014 RM
Secured		
Bank overdraft	788,135	383,153
Banker's acceptances	-	600,000
Term loans	750,000	2,479,497
	1,538,135	3,462,650

17. Bank Borrowings

	Group	
	2015	2014
	RM	RM
Analysed as:		
Repayable within twelve months		
Bank overdraft	788,135	383,153
Banker's acceptances	-	600,000
Term loans	58,293	226,784
	846,428	1,209,937
Repayable after twelve months		
Term loans	691,707	2,252,713
	1,538,135	3,462,650

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

(i) charge over certain of plant and machinery of the Group as disclosed in Note 4;
(ii) charge on fixed deposits with licensed banks of the Group as disclosed in Note 12;
(iii) joint and severally guaranteed by Directors of the Company; and
(iv) corporate guarantee by the Company.

The effective interest rates for the above facilities as at reporting date are as follows:

	Group	
	2015	2014
	%	%
Bank overdraft	8.60	7.60 - 8.60
Bankers' acceptances	-	5.91
Term loans	5.00	5.40 - 5.90

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

	Group	
	2015	2014
	RM	RM
Within one year	846,428	1,209,937
Later than one year but not later than two years	360,154	244,915
Later than two years but not later than five years	331,553	281,133
Later than five years	-	1,726,665
	1,538,135	3,462,650

18. Deferred Tax Liabilities

	Group	
	2015	**2014**
	RM	**RM**
At 1 January	1,936,735	1,553,100
Recognised in profit or loss	708,870	383,635
At 31 December	2,645,605	1,936,735

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

	Group	
	2015	**2014**
	RM	**RM**
Deferred tax liabilities	4,245,652	3,135,947
Deferred tax assets	(1,600,047)	(1,199,212)
	2,645,605	1,936,735

The components and movement of deferred tax liabilities and assets at the end of the reporting period prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	**Development expenditure RM**	**Total RM**
At 1 January 2015	1,382,706	1,753,241	3,135,947
Recognised in profit or loss	47,557	1,062,148	1,109,705
At 31 December 2015	1,430,263	2,815,389	4,245,652
At 1 January 2014	968,800	1,129,200	2,098,000
Recognised in profit or loss	413,906	624,041	1,037,947
At 31 December 2014	1,382,706	1,753,241	3,135,947

18. Deferred Tax Liabilities (Cont'd)

Deferred tax assets of the Group:

	Unutilised capital allowances RM	Unutilised reinvestment allowances RM	Total RM
At 1 January 2015	(185,785)	(1,013,427)	(1,199,212)
Recognised in profit or loss	84,315	(485,150)	(400,835)
At 31 December 2015	(101,470)	(1,498,577)	(1,600,047)
At 1 January 2014	(103,700)	(441,200)	(544,900)
Recognised in profit or loss	(82,085)	(572,227)	(654,312)
At 31 December 2014	(185,785)	(1,013,427)	(1,199,212)

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unused tax losses	2,677,032	1,419,272	79,834	6,288
Unutilised capital allowances	348,217	62,154	105	105
	3,025,249	1,481,426	79,939	6,393

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

19. Trade Payables

The normal trade credit term granted to the Group is 30 to 90 days (2014: 30 to 90 days). Other credit terms are assessed and approved on a case to case basis.

20. Other Payables

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other payables	746,825	927,485	2,400	130,625
Deposits	-	8,251	-	-
Deferred capital grant	3,163,747	3,615,825	-	-
Dividend payables	417,072	226,094	417,072	226,094
Accruals	806,492	984,759	29,500	392,767
	5,134,136	5,762,414	448,972	749,486

Deferred capital grant refers to government grant received from Malaysia Biotechnology Corporation Sdn. Bhd. ("MBC") and Malaysia Technology Development Corporation ("MTDC") for the acquisition of equipment for research activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is being amortised over the useful life of the plant as recognised as other income in profit or loss.

The movement of the deferred capital grant is as follows:

	Group	
	2015	2014
	RM	RM
At 1 January	3,615,825	3,125,519
Grant received during the financial year	119,700	676,200
Amortised during the financial year	(571,778)	(185,894)
At 31 December	3,163,747	3,615,825

21. Amount Owing to a Director

This represents unsecured, interest free advances and repayable on demand.

22. Revenue

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Sales of goods	29,720,283	27,114,575	-	-
Management fee	-	-	648,000	360,000
	29,720,283	27,114,575	648,000	360,000

23. Finance Costs

	Group	
	2015	2014
	RM	RM
Interest expenses on:		
- Bank overdraft	101,549	35,434
- Banker's acceptances	38,893	6,697
- Term loans	139,492	157,173
- Finance leases	26,739	36,101
- Others	-	358
	306,673	235,763

24. Profit/(Loss) before Taxation

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

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Auditors' remuneration:				
- current year	79,000	55,000	25,000	10,000
- over provision in prior years	(4,000)	-	(15,000)	-
- others	90,000	-	90,000	-
Amortisation of development expenditures	1,339,450	966,926	-	-
Bad debts written off	6,854	1,700	-	-
Depreciation of property, plant and equipment	3,390,718	2,397,984	105	105
Deposits written off	52,074	-	-	-
Non-executive Directors' remuneration:				
- fee	158,200	333,000	158,200	327,000
- salaries and other emoluments	17,700	-	14,500	-
Dividend income from a subsidiary company	-	-	(417,072)	(475,000)
Gain disposal of property, plant and equipment	(9,434)	-	-	-
Listing expenses written off	2,350,548	-	2,173,826	-

24. Profit/(Loss) before Taxation (Cont'd)

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Loss/(Gain) on foreign exchange:				
- realised	37,836	11,702	-	-
- unrealised	(96,163)	-	-	-
Grant income	(3,112,760)	(4,226,773)	-	-
Impairment loss on trade receivables	128,844	125,273	-	-
Interest income	(203,910)	(204,397)	(150,411)	(131,353)
Inventories written off	1,993	-	-	-
Rental income	-	(33,870)	-	-
Rental of equipment	22,871	-	-	-
Rental of premises	536,524	344,340	-	-
Reversal of impairment on trade receivables	(27,135)	-	-	-

25. Taxation

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Tax expense recognised in profit or loss				
Malaysia statutory tax:				
- Current tax provision	152,653	116,375	37,603	32,838
- (Over)/Under provision in prior years	(16,984)	(10,833)	4,402	13,574
	135,669	105,542	42,005	46,412
Deferred tax:				
- Original and reversal of temporary differences	872,379	507,329	-	-
- Relating to changes in tax rate	(124,948)	-	-	-
- Over provision in prior years	(38,561)	(123,694)	-	-
	708,870	383,635	-	-
	844,539	489,177	42,005	46,412

25. **Taxation (Cont'd)**

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profits for the financial year. The statutory tax rate will be reduced to 24% from the current year's rate 25% effective year of assessment 2016. The computations of deferred tax as at 31 December 2015 have reflected the change.

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) before taxation	7,302,590	6,786,189	(1,745,344)	583,578
At Malaysian statutory tax rate of 25% (2014: 25%)	1,825,648	1,696,547	(436,336)	145,895
Expenses not deductible for tax purposes	1,219,175	343,942	558,222	4,096
Reduction in tax rate	(124,948)	-	-	-
Income exempted under BioNexus status	(1,307,329)	(1,127,342)	-	-
Income not subject to tax	(688,839)	(46,475)	(104,268)	(118,751)
Deferred tax assets not recognised	384,370	309,229	19,985	1,598
Utilisation of reinvestment allowances	(407,993)	(552,197)	-	-
Over provision of income tax in respect of previous years	(16,984)	(10,833)	4,402	13,574
Over provision of deferred tax in respect of previous years	(38,561)	(123,694)	-	-
	844,539	489,177	42,005	46,412

The Group and the Company has unused tax losses and unutilised capital allowances of RM2,677,032 and RM79,834 (2014: RM1,378,654 and RM6,288) and RM771,011 and RM105 (2014: RM571,023 and RM105) respectively available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

26. Earnings per share

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2015	**2014**
	RM	**RM**
Profit attributable to owners of the parent	6,796,465	6,432,590
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at 1 January	363,413,114	363,413,114
Effect of ordinary shares issued during the financial year	74,520,548	-
Weighted average number of ordinary shares at 31 December	437,933,662	363,413,114
Basic earnings per ordinary shares (in sen)	1.55	1.77

(b) Diluted earnings per share

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

27. Dividends

	Group and Company	
	2015	**2014**
	RM	**RM**
Dividends recognised as distribution to ordinary shareholders of the Company		
In respect of the financial year ended 31 December 2014		
- interim single-tier dividend of RM0.0013 per ordinary share	-	475,000
In respect of the financial year ended 31 December 2015		
- interim single-tier dividend of RM0.0009 per ordinary share	417,072	-
	417,072	475,000

The Board of Directors does not recommend any final dividend is respect of financial year.

28. Employee Benefits Expenses

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Fee	220,500	-	220,500	-
Salaries and other emoluments	3,686,545	3,019,975	258,265	2,000
Defined contribution plan	323,769	267,798	-	-
Other employee benefits	74,641	40,246	-	-
	4,305,455	3,328,019	478,765	2,000
Less: Capitalised into biological assets	(149,680)	-	-	-
	4,155,775	3,328,019	478,765	2,000

28. Employee Benefits Expenses (Cont'd)

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Fee	220,500	-	220,500	-
Salaries and other emoluments	777,005	647,240	258,265	2,000
Defined contribution plan	51,300	46,944	-	-
	1,048,805	694,184	478,765	2,000

29. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

29. **Related Party Disclosures**

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere to the financial statements, the significant related party transactions of the Company are as follows

	Company	
	2015	**2014**
	RM	**RM**
Transaction with subsidiary companies		
- Management fee received/receivable	648,000	360,000
- Dividend income	417,072	475,000

(c) Compensation of key management personnel

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

	Group		Group	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Fee	378,700	333,000	378,700	327,000
Salaries and other emoluments	1,597,800	1,193,223	1,075,860	547,983
Defined contribution plan	122,997	93,585	71,697	46,641
	2,099,497	1,619,808	1,526,257	921,624

30. Segment information

The Group has one operating segment comprises mainly the manufacturing and sale of semi-finished and finished health supplement products. Segment information has not been separately presented because internal reporting uses the Group's financial statements.

Geographical information

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

	Group	
	2015	**2014**
	RM	**RM**
Malaysia	6,261,102	13,925,763
Indonesia	14,414,787	10,518,568
China	8,327,018	311,130
Australia	-	2,347,100
Others	717,376	12,014
	29,720,283	27,114,575

No disclosure on geographical segment information for non-current assets as the Group operates predominantly in Malaysia.

Major customers

Revenue from 2 (2014: 2) major customers amounting to RM5,139,988 (2014: RM6,850,988), arising from group revenue.

31. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

31. Financial Instruments (Cont'd)

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2015			
Financial Assets			
Trade receivables	19,249,631	-	19,249,631
Other receivables	3,387,765	-	3,387,765
Fixed deposits with licensed banks	7,965,440	-	7,965,440
Cash and bank balances	5,803,544	-	5,803,544
	36,406,380	-	36,406,380
Financial Liabilities			
Trade payables	-	178,159	178,159
Other payables	-	1,970,389	1,970,389
Amounts owing to a Director	-	22,049	22,049
Finance lease liabilities	-	393,950	393,950
Bank borrowings	-	1,538,135	1,538,135
	-	4,102,682	4,102,682
2014			
Financial Assets			
Trade receivables	12,829,703	-	12,829,703
Other receivables	6,270,720	-	6,270,720
Fixed deposits with licensed banks	1,115,786	-	1,115,786
Cash and bank balances	8,706,259	-	8,706,259
	28,922,468	-	28,922,468
Financial Liabilities			
Trade payables	-	392,340	392,340
Other payables	-	2,146,589	2,146,589
Amounts owing to a Director	-	22,119	22,119
Finance lease liabilities	-	562,949	562,949
Bank borrowings	-	3,462,650	3,462,650
	-	6,586,647	6,586,647

31. **Financial Instruments (Cont'd)**

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

	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2015			
Financial Assets			
Amount owing to a subsidiary company	27,943,493	-	27,943,493
Fixed deposits with licensed banks	5,000,000	-	5,000,000
Cash and bank balances	14,785	-	14,785
	32,958,278	-	32,958,278
Financial Liabilities			
Other payables	-	448,972	448,972
Amount owing to a Director	-	1,049	1,049
	-	450,021	450,021
2014			
Financial Assets			
Amount owing by a subsidiary company	16,989,009	-	16,989,009
Cash and bank balances	6,437	-	6,437
	16,995,446	-	16,995,446
Financial Liabilities			
Other payables	-	749,486	749,486
Amounts owing to a Director	-	1,049	1,049
	-	750,535	750,535

31. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

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

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks and non-financial institutions for banking facilities and supply of goods and services granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM3,000,000 (2014: RM4,960,000), representing the outstanding banking facilities and for supply of goods and services to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

At 31 December 2015, the Group had 12 customers (2014: 8 customers) that accounted for approximately 49% (2014: 69%) of the gross trade receivables balance.

31. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2015			
Non-derivative financial liabilities			
Other payables	448,972	448,972	448,972
Amounts owing to Directors	1,049	1,049	1,049
	450,021	450,021	450,021
2014			
Non-derivative financial liabilities			
Other payables	749,486	749,486	749,486
Amounts owing to Directors	1,049	1,049	1,049
	750,535	750,535	750,535

31. **Financial Instruments (Cont'd)**

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group						
2015						
Non-derivative financial liabilities						
Trade payables	178,159	-	-	-	178,159	178,159
Other payables	1,970,389	-	-	-	1,970,389	1,970,389
Amounts owing to a Director	22,049	-	-	-	22,049	22,049
Finance lease liabilities	127,374	236,810	63,948	-	428,132	393,950
Bank borrowings	852,555	386,518	339,553	-	1,578,626	1,538,135
	3,150,526	623,328	403,501	-	4,177,355	4,102,682
2014						
Non-derivative financial liabilities						
Trade payables	392,340	-	-	-	392,340	392,340
Other payables	2,146,589	-	-	-	2,146,589	2,146,589
Amounts owing to a Director	22,119	-	-	-	22,119	22,119
Finance lease liabilities	297,925	300,046	-	-	597,971	562,949
Bank borrowings	1,358,705	375,552	584,389	2,718,214	5,036,860	3,462,650
	4,217,678	675,598	584,389	2,718,214	8,195,879	6,586,647

31. Financial Instruments (Cont'd)

(c) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD).

The Group and the Company have not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in USD RM
Group	
2015	
Cash and bank balances	536,409
2014	
Cash and bank balances	2,301,700

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before taxation for the financial year to a reasonably possible change in the USD exchange rates against the functional currencies of the Group, with all other variables held constant.

	Change in currency rate	**2015 Effect on profit before taxation RM**	**Change in currency rate**	**2014 Effect on profit before taxation RM**
USD	Strengthend 10%	53,641	Strengthend 10%	230,170
	Weakend 10%	(53,641)	Weakend 10%	(230,170)

31. **Financial Instruments (Cont'd)**

(c) Market risk (Cont'd)

(ii) Interest rate risk

The Group's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

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

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

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed rate instruments				
Financial asset:				
Fixed deposits with licensed banks	7,965,440	1,115,786	5,000,000	-
Financial liabilities:				
Bankers' acceptance	-	600,000	-	-
Finance lease liabilities	393,950	562,949	-	-
Term loan	750,000	-	-	-
	1,143,950	1,162,949	-	-

31. Financial Instruments (Cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Floating rate instruments				
Financial liabilities:				
Bank overdraft	788,135	383,153	-	-
Term loans	-	2,479,497	-	-
	788,135	2,862,650	-	-

Interest rate risk sensitivity

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	Effect to profit or loss	
	2015	**2014**
	RM	**RM**
Group		
Interest rate increased by 1%	7,881	28,627
Interest rate decreased by 1%	(7,881)	(28,627)

31. Financial Instruments (Cont'd)

(d) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and/or insignificant impact of discounting.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value				
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
2015					
Financial liabilities (Non-current)					
Finance lease liabilities	-	242,764	-	242,764	249,824
Term loan	-	368,185	-	368,185	691,707
	-	610,949	-	610,949	941,531
2014					
Financial liabilities (Non-current)					
Finance lease liabilities	-	246,888	-	246,888	288,827
Term loans	-	2,252,713	-	2,252,713	2,252,713
	-	2,499,601	-	2,499,601	2,541,540

(i) Policy on transfer between levels

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

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

(ii) Level 1 fair value

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

31. **Financial Instruments (Cont'd)**

(d) Fair value of financial instruments (cont'd)

(iii) Level 2 fair value

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

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

32. **Capital Commitment**

	Group	
	2015	**2014**
	RM	**RM**
Authorised and contracted for		
Purchase of property, plant and equipment	4,500,000	4,500,000

33. **Contingent Liability**

	Company	
	2015	**2014**
	RM	**RM**
Unsecured		
Corporate guarantees given to the license banks for credit facility granted to subsidiary companies	3,000,000	4,960,000

34. Capital Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitors capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Total loans and borrowings	1,932,085	4,025,599	-	-
Less: Cash and cash equivalents	(12,115,628)	(8,623,106)	(5,014,785)	(6,437)
Excess of cash and cash equivalents	(10,183,543)	(4,597,507)	(5,014,785)	(6,437)
Total equity	79,003,414	54,408,254	45,240,176	29,639,500
Gearing ratio (%)	N/A	N/A	N/A	N/A

Gearing ratio not applicable for financial year ended 31 December 2015 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

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

35. Significant Events

(a) On 14 April 2015, the Company's entire enlarged issued and paid-up share capital of RM23,170,656 comprising of 463,413,114 ordinary shares of RM0.05 each was listed on the ACE Market of Bursa Malaysia Securities Berhad.

(b) On 18 August 2015, the Company had entered into a Memorandum of Undertaking ("MOU") with PUC Founder (MSC) Berhad ("PUCF") in relation to a collaboration whereby the Company intends to undertake herbs planting activities on the lands owned by PUCF and/or its subsidiary company on which PUCF's solar photovoltaic ("PV") plants are to be located and PUCF intends to construct and operate solar PV plants on the lands owned by the Company and/or its subsidiary companies on which the Company currently utilised for its herbs planting activities.

Subsequently, the MOU no longer commercially viable subsequent to the feasibility study conducted. the Company and PUCF has mutually agreed in writing to terminate the MOU with effect from 16 February 2016.

(c) On 18 December 2015, Botanical Distribution Sdn. Bhd. ("BDSB") had entered into Sales of Shares Agreement ("SSA") with Ng See Hein and Loh Peng Yeow ("the Vendors") for acquisition of the entire equity interest in Mediconstant Holding Sdn. Bhd. ("MHSB") for a purchase consideration of RM5,000,000 that to be satisfied via the issuance of 18,867,924 ordinary shares of RM0.05 each in the Company at an issue price of RM0.265 each.

In relation to the said acquisition, all the conditions precedent set out in the SSA have been fulfilled, and accordingly the SSA has become unconditional on 15 January 2016.

36. Subsequent Event

On 29 January 2016, the Company had increased its issued and paid-up share capital by way of issuance of private placement of 17,718,962 new ordinary shares of RM0.05 each at the issue price of RM0.33 per share for working capital purposes.

37. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2016.

38. Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained earnings / (accumulated losses) of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained earnings of the Company and its subsidiaries				
- realised	37,703,361	31,049,675	(2,292,385)	(87,964)
- unrealised	(2,549,442)	(1,936,735)	-	-
	35,153,919	29,112,940	(2,292,385)	(87,964)
Add : Consolidation adjustments	1,286,064	536,980	-	-
Total retained earnings	36,439,983	29,649,920	(2,292,385)	(87,964)

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

CERTIFIED TRUE COPY

CHONG VOON WAH
COMPANY SECRETARY
MAICSA 7055003

23 NOV 2016

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BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2016

	<---Individual Quarter --->		*<----Cumulative Quarter --->*	
	30 Sept 2016 RM'000	**30 Sept 2015 RM'000**	**30 Sept 2016 RM'000**	**30 Sept 2015 RM'000**
Revenue	12,088	8,536	30,962	20,015
Cost of sales	(6,613)	(4,079)	(18,676)	(9,494)
Gross profit	5,475	4,457	12,286	10,521
Other income	1,592	110	4,566	916
Administration expenses	(4,309)	(1,806)	(12,580)	(5,754)
Other expenses – Listing expenses	-	(174)	-	(2,355)
Profit from operations	2,758	2,587	4,272	3,328
Finance costs	(40)	(53)	(141)	(280)
Profit before tax	2,718	2,534	4,131	3,048
Taxation	(50)	(93)	(168)	(410)
Net profit for the financial period, representing total comprehensive income for the financial period	2,668	2,441	3,963	2,638
Net profit for the financial period attributable to:				
- Owners of the parent	2,782	2,552	4,300	2,963
- Non-controlling interests	(114)	(111)	(337)	(325)
	2,668	2,441	3,963	2,638
Weighted average number of ordinary shares ('000)	511,029	463,413	506,856	425,684
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.544	0.551	0.848	0.696
- Diluted	N/A	N/A	N/A	N/A

Notes:
*The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of BHB for the financial year ended ("**FYE**") 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.*
N/A Not applicable.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Unaudited As at 30 September 2016 RM'000	Audited As at 31 December 2015 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	28,075	26,903
Development expenditures	19,639	12,971
Goodwill	5,334	-
	53,048	39,874
CURRENT ASSETS		
Biological assets	267	283
Inventories	8,702	4,664
Trade receivables	20,531	19,250
Other receivables	8,806	10,717
Tax recoverable	479	141
Fixed deposits with licensed banks	4,895	7,965
Cash and bank balances	11,298	5,803
	54,978	48,823
TOTAL ASSETS	**108,026**	**88,697**
EQUITY		
Share capital	33,333	23,171
Share premium	24,725	24,362
Merger deficits	(4,969)	(4,969)
Retained earnings	40,740	36,440
Equity attributable to owners of the parent	93,829	79,004
Non-controlling interests	(614)	(277)
TOTAL EQUITY	93,215	78,727
NON-CURRENT LIABILITIES		
Finance lease payables	137	250
Bank borrowings	2,722	692
Deferred tax liabilities	2,686	2,645
	5,545	3,587

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016 (CONT'D)

	Unaudited As at 30 September 2016 RM'000	Audited As at 31 December 2015 RM'000
CURRENT LIABILITIES		
Trade payables	3,741	178
Other payables	4,774	5,134
Amount owing to a Director	-	22
Finance lease payables	206	144
Bank borrowings	545	846
Tax payable	-	59
	9,266	6,383
TOTAL LIABILITIES	**14,811**	**9,970**
TOTAL EQUITY AND LIABILITIES	**108,026**	**88,697**
NET ASSETS PER SHARE (sen)	18.24(1)	17.05(2)

Notes: (1) Based on number of shares 666,665,655 as at 30/9/2016.
(2) Based on number of shares 463,413,114 as at 31/12/2015.

Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of BHB for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR GROUP FOR THE 9-MONTH FPE 30 SEPTEMBER 2016 *(Cont'd)*

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016

	<------------------ Non-Distributable		------------------>	<-Distributable->			
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2015	18,171	11,557	(4,969)	29,649	54,408	(128)	54,280
Net profit for the financial period, representing total comprehensive income for the financial period	-	-	-	2,963	2,963	(325)	2,638
Transaction with owners							
Change in ownership interest in a subsidiary company	-	-	-	-	-	600	600
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
Total transactions with owners	5,000	12,805	-	-	17,805	600	18,405
Balance as at 30 September 2015	**23,171**	**24,362**	**(4,969)**	**32,612**	**75,176**	**147**	**75,323**

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR GROUP FOR THE 9-MONTH FPE 30 SEPTEMBER 2016 *(Cont'd)*

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)

	<------------------ Non-Distributable ------------------>			<-Distributable->			
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2016	23,171	24,362	(4,969)	36,440	79,004	(277)	78,727
Net profit for the financial period, representing total comprehensive income for the financial period	-	-	-	4,300	4,300	(337)	3,963
Transaction with owners							
Acquisition of subsidiary company	-	-	-	-	-	(148)	(148)
Acquisition of non-controlling interest	-	-	-	-	-	148	148
Share issued for acquisition of subsidiary	943	4,057	-	-	5,000	-	5,000
Issuance of ordinary shares	886	4,961	-	-	5,847	-	5,847
Bonus issue	8,333	(8,333)	-	-	-	-	-
Share issued expenses	-	(322)	-	-	(322)	-	(322)
Total transactions with owners	10,162	363	-	-	10,525	-	10,525
Balance as at 30 September 2016	**33,333**	**24,725**	**(4,969)**	**40,740**	**93,829**	**(614)**	**93,215**

Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016

	Current period 30 September 2016 RM'000	Preceding corresponding period 30 September 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,131	3,048
Adjustments for:		
Amortisation of development expenditures	1,207	968
Depreciation of property, plant and equipment	2,637	2,530
Receivables written off	-	7
Deposit written off	-	52
Inventory written down	2	2
Interest expenses	141	280
Interest income	(223)	(53)
Grant income	(3,575)	(622)
Gain on disposal of property, plant and equipment	(1)	(9)
Gain on disposal of business	(54)	-
Unrealised gain on foreign exchange	(5)	(59)
Operating profit before working capital changes	4,260	6,144
Changes in working capital:		
Inventories	(1,518)	(1,506)
Trade receivables	(571)	(2,962)
Other receivables	5,583	(49)
Trade payables	(351)	145
Other payables	(774)	(674)
Director	(21)	9
	2,348	(5,037)
Cash generated from operations	6,608	1,107
Grant received	3,756	500
Interest paid	(141)	(281)
Interest received	223	53
Tax paid	(391)	(138)
Tax refund	141	-
NET CASH FROM OPERATING ACTIVITIES	10,196	1,517

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)

	Current quarter 30 September 2016 RM'000	Preceding corresponding quarter 30 September 2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,858)	(2,899)
Placement of fixed deposit	(20)	-
Proceeds from disposal of property, plant and equipment	2	9
Additional development expenditures	(7,876)	(5,898)
Deposit paid for property, plant and equipment	(2,581)	(1,162)
Additional biological assets	-	(293)
Net cash outflow on acquisition of a subsidiary	(4,711)	-
NET CASH USED IN INVESTING ACTIVITIES	(17,044)	(10,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of shares by non-controlling interests	-	600
Drawdown of term loan	936	-
Dividend paid	(417)	(226)
Increase in fixed deposit pledged	20	(49)
Net proceeds from issuance of shares	10,847	17,805
Net changes in bankers' acceptances	(194)	99
Repayment of finance lease payables	(66)	(459)
Repayment of term loans	(768)	(2,479)
Share issuance expenses	(322)	-
NET CASH FROM FINANCING ACTIVITIES	10,036	15,291
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,189	6,289
EFFECT OF EXCHANGE RATE CHANGES	5	59
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	12,116	8,623
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	15,308	14,971

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)

	Current quarter 30 September 2016 RM'000	Preceding corresponding quarter 30 September 2015 RM'000
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	11,298	9,148
Fixed deposits with licensed banks	4,895	7,865
Less: Bank overdraft	-	(1,177)
	16,193	15,836
Less: Fixed deposits pledged with licensed banks	(885)	(865)
	15,308	14,971

Note:

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2016

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2016

A1. Accounting policies and methods of computation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards ("**MFRS**") 134: Interim Financial Reporting, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies and methods of computation adopted by the Company and its subsidiaries ("**Group**") in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the audited consolidated financial statements of the Company for the FYE 31 December 2015, except for the adoption of the following:

MFRS and IC Interpretations (Including The Consequential Amendments)		**Effective dates for financial periods beginning on or after**
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Statements of Cash Flows - Disclosed Initiative	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

A1. Accounting policies and methods of computation (cont'd)

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

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

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

A1. Accounting policies and methods of computation (cont'd)

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below (cont'd):

MFRS 16 *Leases*

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

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

The Directors of the Company will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

A2. Auditors' report of preceding annual financial statements

There was no qualification to the audited consolidated financial statements of the Company for the FYE 31 December 2015.

A3. Seasonal or cyclical factors

The Group's business activity typically peaks in the third (3rd) and fourth (4th) quarter of the calendar year in conjunction with year-end festive promotional activities by its customers.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period to date.

A5. Material changes in estimates

There were no material changes in estimates of amounts reported in prior interim periods or prior year that would have a material effect on the current quarter's results.

A6. Debt and equity securities

The listing of and quotation for 166,665,655 new BHB shares pursuant to the proposed Bonus Issue was completed on 13 September 2016.

There were no other issuance, cancellation, repurchase, resale and repayment of debt for the current quarter.

A7. Segmental information

The Group's revenue based on the geographical location of its customers is presented as follows:

	Current quarter ended		**Period-to-date ended**	
	30 Sept 2016 RM'000	**30 Sept 2015 RM'000**	**30 Sept 2016 RM'000**	**30 Sept 2015 RM'000**
Malaysia	4,931	501	15,534	4,335
Indonesia	3,531	4,722	9,250	9,559
China	3,626	3,117	6,178	5,408
Others*	-	196	-	713
Total	12,088	8,536	30,962	20,015

Note:

* *Includes Singapore and Taiwan.*

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

A7. Segmental information (cont'd)

The Group's revenue based on the activities is presented as follows:

	Current quarter ended		Period-to-date ended	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Manufacturing & sale of finished health supplement products	8,860	8,410	19,584	19,657
Retail pharmacies	3,228	126	11,378	358
Total	12,088	8,536	30,962	20,015

A8. Valuation of property, plant and equipment

The Group has not carried out any valuation of its property, plant and equipment in the current quarter.

A9. Capital commitments

	Current quarter ended 30 Sept 2016 RM'000	Financial period-to-date 30 Sept 2016 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

A11. Contingent liabilities

	Current quarter ended 30 Sept 2016 RM'000	Financial period-to-date 30 Sept 2016 RM'000
Unsecured:		
Corporate guarantees given to the license banks for credit facilities granted to subsidiary companies	3,000	3,000

A12. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of the current quarter and financial period-to-date that have not been reflected in this interim financial report.

A13. Related party transactions

There were no additional related party transaction entered into with related parties during the current financial quarter.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter was RM12.09 million compared to RM8.53 million in the preceding corresponding quarter and its cumulative revenue was RM30.96 million compared to RM20.02 million for the financial period ended ("**FPE**") 30 September 2016, representing an increase of RM3.55 million or 41.57% and RM10.94 million or 54.65% respectively. Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing & sale of finished health supplement products

The revenue generated from this segment for the FPE 30 September 2016 was RM19.58 million as compared to RM19.66 million in the preceding corresponding period in 2015, representing a decrease of RM0.08 million or 0.41%.

The lower revenue was mainly due to slight decline in export sales of health supplement products. The export sales to China for FPE 30 September 2016 increase 14.24% by comparison. The preceding years corresponding period. While, the export sales to Indonesia for FPE 30 September 2016 decrease 3.23% by comparison the preceding year's corresponding period.

Retail pharmacies

The revenue generated from this segment for FPE 30 September 2016 was RM11.38 million as compared to RM0.36 million in the preceding corresponding period in 2015, representing an increase of RM11.02 million.

To recap, the Group completed the acquisition of Mediconstant Holdings Sdn Bhd ("Mediconstant") in January 2016. Mediconstant had 12 pharmacies under its stable then. The Group currently has 14 pharmacies operating under the brand "Constant".

Of the 14 pharmacies, 13 are in Klang Valley with the latest 14th outlet just opened recently in Tanah Merah, Kelantan.

Gross profit margin was lower at 39.68% in FPE 30 September 2016 by comparison to 52.57% a year ago. The decline is well within expectation, having considered that the gross profit margin of retail pharmacy is generally lower than that of manufacturing of health supplement products. Although the retail pharmacy has lower gross profit margin, the division serves as a strategic distribution channel to promote the Group's house brand products – Apotec and NuShine – directly to consumers.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance (cont'd)

The Group's profit before tax ("**PBT**") for the current quarter and FPE 30 September 2016 was RM2.72 million and RM4.13 million, an increase of RM0.19 million or 7.50% and RM1.08 million or 35.41% as compared to RM2.53 million and RM3.05 million in the preceding corresponding quarter, and FPE 30 September 2015.

The Group recorded a higher administration expenses during the financial period mainly due to new recruitment in Research & Development department, the Group's expansion program, and advertising and promotion expenses for the rebranding of the retail pharmacies business. The Group also incurred the one off corporate expenses in relation to the acquisition of Mediconstant and the Bonus Issue during the financial period.

Comparison with immediate preceding quarter's results

The revenue for the 9 months' financial period ended ("FPE") 30 September 2016 has increased by RM12.09 million to RM30.96 or 64.07% from RM18.87 million for the 6 months for FPE 30 June 2016. The PBT for the 9 months FPE 30 September 2016 has increased by RM2.72 million from RM1.41 million in the 6 months FPE 30 June 2016 to RM4.13 million.

The increase mainly driven by the increase in export to China as compared to preceding quarter.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B2. Prospects for the financial year ending 31 December 2016

The first half of 2016 has been much of a consolidation period for us with the inclusion of Constant Pharmacy into the enlarged family. We have launched active rebranding and marketing activities for the outlets, as well as refurbishing the older ones. These are necessary investments to strengthen the brand in order to reap greater benefits in the future. The Group intention is to grow the pharmacy business via franchise. Franchising allows us to grow the number of outlets much faster without burdening the balance sheet, but yet retain control over the management of the outlets and growth direction.

The Group will have a new manufacturing facility in Indonesia to accelerate growth potential. PT. HMM serves as part of the plan to further grow and strengthen the presence in Indonesia. A key benefit of having the facility in the country is the significant reduction in the time-to-market for the new products. It allows us to introduce more products in shorter time and grow the market share at a quicker pace.

The Group's herbal products are well-accepted in China as a result of the active marketing campaign in promoting the Group's health supplement products through participation in exhibitions held in China. Going forward, we are confident to achieve better performance in the second half of 2016 as historically, business activities are more robust towards the later part of the year. As part of the Group strategy, the Group focus will be more in China's Muslim provinces.

The Group has started with Phase II land clearing of 879.5 acres in Pasir Raja, Dungun. The Group planting will include Tongkat Ali, Kacip Fatimah, Betik Sekaki, Lada Hitam, Assam Gelugor and Kunyit which are highly in demand.

We are in the process of Investigation New Drug for human clinical trial, such as the evaluation of dossier for application of Clinical Trial.

In view of the business potential, the Board of Directors of the Company ("**Board**") is optimistic on the Group's performance for the financial year ending 31 December 2016.

B3. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B4. Taxation

	Current quarter ended		Financial period-to-date	
	30 Sept 2016 RM'000	**30 Sept 2015 RM'000**	**30 Sept 2016 RM'000**	**30 Sept 2015 RM'000**
Tax expense recognised in profit or loss:				
Current tax provision	50	93	138	390
Deferred tax liability	-	-	30	20
	50	93	168	410
Effective tax rate (%)	1.84	3.67	4.07	13.45

Bioalpha R&D Sdn Bhd ("**BRSB**"), the Group wholly-owned subsidiary, was awarded a BioNexus Status by Malaysian Bioeconomy Development Corporation Sdn Bhd which allows BRSB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years from 30 June 2008 to 30 June 2018.

Meanwhile, the Group other subsidiaries are taxed at a statutory rate of 24% on their chargeable income.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B5. Status of corporate proposals and utilisation of proceeds

Status of corporate proposals

- On 27 May 2016, BHB announced to undertake the following:

  a) Proposed bonus issue of 166,666,666 new ordinary shares of RM0.05 each in the Company ("BHB Shares") ("Bonus Shares") on the basis of one (1) Bonus Share for every three (3) existing BHB Shares held at an entitlement date to be determined later ("Proposed Bonus Issue"); and

  b) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 500,000,000 BHB Shares to RM100,000,000 comprising 2,000,000,000 BHB Shares ("Proposed Increase in Authorised Share Capital"); and

  c) Proposed amendment to the Memorandum of Association ("MOA") of the Company to facilitate the Proposed Increase in Authorised Share Capital ("Proposed MOA Amendment").

  (collectively referred to as the "Proposals")

- On 13 July 2016, Bursa Securities has approved the following:

  a) Listing of up to 166,666,666 new BHB Shares to be issued pursuant to the Proposed Bonus Issue; and

  b) Listing of such number of new BHB Shares representing up to 30% of the issued and paid-up ordinary share capital of BHB (excluding treasury shares) to be issued pursuant to the Proposed SIS.

- On 13 September 2016, the Bonus Issue has been completed following the listing of and quotation for 166,665,655 Bonus Issue to the ACE Market of Bursa Securities.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B5. Status of corporate proposals and utilisation of proceeds (cont'd)

Status of corporate proposals (cont'd)

- On 7 September 2016, BHB announced to undertake the following:

  BHB announced to undertake a renounceable right issue 133,333,131 new Bioalpha Shares ("Rights Share(s)") together with 133,333,131 free new detachable Warrants ("Warrants") on the basis of 1 Rights Share for every 5 Bioalpha Shares held together wih 1 Warrant for every Rights Share subscribed by the existing shareholders of Bioalpha on an entitlement date to be determined by the Board and announced later ("Proposed Rights Issue with Warrants")

- On 13 October 2016, Bursa Securities has approved the following:

  Proposed renounceable right issue of 133,333,131 new Bioalpha Shares ("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.

- On 15 November 2016, the resolution of Proposed Right issue was approved by the Company's shareholder by way of voting on poll at the Company's extraordinary general meeting.

B6. Borrowings

The Group's borrowings as at 30 September 2016 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
Finance leases	206	137	343
Banker's acceptance	200	-	200
Term loans	345	2,721	3,066
Total bank borrowings	751	2,858	3,609

The Group does not have any unsecured borrowings as at 30 September 2016.

	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Total bank borrowings	3,609	2,304
Total equity	93,215	75,323
Gearing ratio (times)	0.04	0.03

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B7. Material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board is not aware of any other proceedings pending or threatened or of any fact likely to give rise to any other proceedings.

B8. Dividends

The Board did not recommend any dividend during the FPE 30 September 2016 (*FPE 30 September 2015: Nil*).

B9. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		Financial year-to-date	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Net profit attributable to owners of the parent ('000)	2,782	2,552	4,300	2,963
Weighted average number of ordinary shares in issue ('000)	511,029	463,413	506,856	425,684
Basic earnings per share (sen)	0.544	0.551	0.848	0.696

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B10. Disclosure on selected expense/(income) items as required by the Listing Requirements

Included in PBT are the following expense/(income) items:

	<----Individual Quarter----->		<----Cumulative Quarter---->	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Interest income	(77)	(44)	(223)	(53)
Foreign exchange (gain)/ loss				
- Realised	5	-	(130)	-
- Unrealised	5	(46)	(5)	(59)
Gain on disposal of property, plant and equipment	-	(9)	(1)	(9)
Grant income	(995)	-	(3,224)	-
Other income	(651)	(11)	(1,104)	(795)
Interest expenses	41	53	141	280
Grant expenses	1,209	-	3,224	-
Depreciation and amortisation expenses	1,307	1,223	3,844	3,498
Written off and provision of receivables	-	7	-	59
Inventories written off	2	2	2	2

There were no provision for inventories, gain or loss on disposal of quoted and unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period-to-date.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

B11. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 30 September 2016 into realised and unrealised profits is as follows:

	As at 30 Sept 2016 RM'000	Audited As at 31 December 2015 RM'000
Retained earnings of the Group:		
- Realised	34,986	37,703
- Unrealised	2,691	(2,549)
Total	37,677	35,154
Add: Consolidation adjustments	3,063	1,286
Total retained earnings of the Group	40,740	36,440

C. AUTHORIZATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 21 November 2016.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
21 November 2016

DIRECTORS' REPORT

Registered Office

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

25 NOV 2016

To: **The Entitled Shareholders of Bioalpha Holdings Berhad**

Dear Sir/Madam,

On behalf of the Board of Directors of Bioalpha Holdings Berhad ("**Bioalpha**") ("**Board**"), I report after due enquiry that during the period from 31 December 2015 (being the date to which the last audited financial statements of Bioalpha and its subsidiaries ("**Group**") have been made up) to the date hereof (being a date not earlier than 14 days before the issue date of this Abridged Prospectus), that:

(i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save as disclosed in the Abridged Prospectus, there are no other contingent liabilities which have arisen by reason of any guarantee or indemnity given by the Group;

(v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums for any borrowings of the Group; and

(vi) save as disclosed in the Abridged Prospectus, since the last audited financial statements of the Group, there have been no material changes in the published reserves or any unusual factor affecting the profits of the Group.

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

HON TIAN KOK @ WILLIAM
Managing Director / Chief Executive Officer

BIOALPHA HOLDINGS BERHAD (949536-X)
No.10, Jalan P/9A, Kawasan Perindustrian Bandar Baru Bangi, Seksyen 13, 43650, Bandar Baru Bangi, Selangor.
Tel : +603 8925 1222 Fax : +603 8922 2522 Website : www.bioa.net

FURTHER INFORMATION

1. SHARE CAPITAL

1.1 Save for the Rights Shares, Warrants and new Bioalpha Shares to be issued pursuant to the exercise of the Warrants, no securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.

1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.05 each, all of which rank *pari passu* with one another.

1.3 All the Rights Shares and the new Bioalpha Shares to be issued pursuant to the exercise of Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing issued and paid-up ordinary share capital of our Company, save and except that such Bioalpha Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the date of allotment of such Bioalpha Shares.

1.4 As at the LPD, save for the provisional allotment of the Warrants under the Rights Issue with Warrants and the Options pursuant to the Share Issuance Scheme, no person has been or is entitled to be granted, an option to subscribe for any securities, shares or debentures in our Company or any of our subsidiaries.

1.5 Save as disclosed below, as at the LPD, no securities in our Company have been issued or agreed to be issued as fully or partly paid-up in cash or otherwise than in cash within the two (2) years preceding the date of this AP:

(i) the Rights Shares to be issued pursuant to the Rights Issue with Warrants;

(ii) the Warrants to be issued pursuant to the Rights Issue with Warrants;

(iii) the new Bioalpha Shares to be issued pursuant to the exercise of the Warrants; and

(iv) the new Bioalpha Shares to be issued pursuant to the exercise of the Options.

2. ARTICLES OF ASSOCIATION

The following provisions in relation to the remuneration of our Directors are reproduced from our Company's Articles of Association. Terms defined in our Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

Article 113 – Fees of Directors

The fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled to rank in such division for a proportion of the fees related to the period during which the Director has held office provided always that:

(i) Fees payable to non-executive Directors shall be by way of a fixed sum, and not by a commission on or a percentage of profits or turnover. Salaries payable to executive Directors may not include a commission on or percentage of turnover.

(ii) The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meeting of the Company or in connection with the business of the Company.

(iii) Any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

(iv) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

<u>Article 114 – Re-imbursement of expenses</u>

(i) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

(ii) If by any arrangement with the Directors, any Directors shall perform or render any special duties or services outside his ordinary duties as a Director, in particular without limiting the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special excursions in going or residing away from his usual place of business or residence for any of the purposes of the company or in giving special attention to the business of the Company as a Member or a committee of Directors, the Directors may pay him extra remuneration, in addition to his Director's fees.

3. CONSENTS

Our Adviser, Principal Bankers, Company Secretaries, Share Registrar and Solicitors for the Rights Issue with Warrants have given and have not subsequently withdrawn their written consents for the inclusion of their names and all references thereto in the form and context in which they appear in this AP.

Messrs UHY, our Reporting Accountants and Auditors, has given and has not subsequently withdrawn its written consent for the inclusion of its name, Reporting Accountants' Report relating to the pro forma consolidated statement of financial position included in the AP, the audited consolidated financial statements of our Group for the FYE 2015 together with its Auditors' Report thereon and all references thereto in the form and context in which they appear in this AP.

Smith Zander has given and has not subsequently withdrawn its written consent for the inclusion of its name as the source of the outlook of health supplement manufacturing industry in Malaysia, health supplement market in Indonesia and China and herbal plant cultivation industry in Malaysia as disclosed in Sections 7.2, 7.3, 7.4 and 7.5 of this AP, and all references thereto in the form and context in which they appear in this AP.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent for the inclusion of its name as the source of historical share prices of our Company, and all references thereto in the form and context in which they appear in this AP.

4. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

(a) Sale of shares agreement dated 18 December 2015 entered into between Botanical Distribution Sdn Bhd, a wholly owned subsidiary of the Company with Loh Peng Yeow and Ng See Hein where by the Botanical Distribution Sdn Bhd agreed to purchase 50,000 ordinary shares, being the entire issued and paid up capital of Mediconstant Holding Sdn Bhd from Loh Peng Yeow and Ng See Hein for a purchase consideration of RM5,000,000 to be satisfied via the issuance of 18,867,924 ordinary shares of RM0.05 each in the Company to be allotted to Loh Peng Yeow and Ng See Hein or their nominee at an issue price of RM0.265 each. This agreement was completed on 21 January 2016; and

(b) Deed Poll executed by our Company on 23 November 2016.

5. MATERIAL LITIGATION

As at the LPD, the Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and the Directors of Bioalpha do not have any knowledge of proceedings pending or threatened against the Group, or of any fact likely to give rise to any proceeding, which might materially and adversely affect the financial position or business of the Group.

6. GENERAL

6.1 There is no existing or proposed service contracts entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.

6.2 Save as disclosed in this AP and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:

(i) material information including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group;

(ii) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease our Group's liquidity;

(iii) material commitments for capital expenditure;

(iv) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from our operations;

(v) known trends or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's revenues or operating income; and

(vi) substantial increase in revenue.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of issuance of this AP:

(i) our Memorandum and Articles of Association;

(ii) our audited consolidated financial statements for the past three (3) FYEs 2013, 2014, 2015 and unaudited consolidated interim financial statements for the 9-month FPE 30 September 2016;

(iii) Reporting Accountants' Report on the Compilation of Proforma Consolidated Statements of Financial Position;

(iv) The Independent Market Research Report dated 15 November 2016 prepared by Smith Zander;

(v) the Directors' Report as set out in Appendix VI of this AP;

(vi) the consent letters referred to in Section 3 of this Appendix;

(vii) the material contracts referred to in Section 4 of this Appendix; and

(viii) the letters in relation to the Undertakings and Additional Undertakings from the Undertaking Shareholders as referred to in Section 3 of this AP.

8. RESPONSIBILITY STATEMENT

Our Board has seen and approved all the documentation relating to the 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 inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in the Documents false or misleading.

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

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