BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018

	<--------- *Individual Quarter* --------->			<--------- *Cumulative Quarter* --------->		
	31 Mar 2018 RM'000	**31 Mar 2017 RM'000**	**Changes**	**31 Mar 2018 RM'000**	**31 Mar 2017 RM'000**	**Changes**
Revenue	12,463	8,631	44%	12,463	8,631	44%
Cost of sales	(7,575)	(5,664)		(7,575)	(5,664)	
Gross profit	4,888	2,967	65%	4,888	2,967	65%
Other income	426	1,309		426	1,309	
Administrative expenses	(4,635)	(6,283)		(4,635)	(6,283)	
Profit from operations	679	(2,007)	134%	679	(2,007)	134%
Finance costs	(45)	(47)		(45)	(47)	
Profit before tax	634	(2,054)	131%	634	(2,054)	131%
Taxation	(31)	(30)		(31)	(30)	
Net profit for the financial period, representing total comprehensive income for the financial period	603	(2,084)	129%	603	(2,084)	129%
Net profit for the financial period attributable to:						
- Owners of the parent	640	(1,955)	133%	640	(1,955)	133%
- Non-controlling interests	(37)	(129)		(37)	(129)	
	603	(2,084)		603	(2,084)	
Weighted average number of ordinary shares ('000)	809,399	786,666		809,399	786,666	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.079	(0.249)		0.079	(0.249)	
- Diluted	0.067	N/A		0.067	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 2017 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 31 MARCH 2018

	Unaudited As at 31 Mar 2018 RM'000	Audited As at 31 Dec 2017 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	38,765	37,238
Development expenditures	30,426	30,532
Goodwill	5,334	5,334
	74,525	73,104
CURRENT ASSETS		
Biological assets	161	189
Inventories	9,404	7,590
Trade receivables	27,671	31,726
Other receivables	20,138	14,858
Tax recoverable	589	625
Other investments	11	11
Fixed deposits with licensed banks	15,243	18,743
Cash and bank balances	4,150	6,972
	77,367	80,714
TOTAL ASSETS	**151,892**	**153,818**
EQUITY		
Share capital	87,528	87,454
Retained earnings	48,375	47,982
Equity attributable to owners of the parent	135,903	135,436
Non-controlling interests	(840)	(803)
TOTAL EQUITY	135,063	134,633
NON-CURRENT LIABILITIES		
Finance lease payables	324	475
Bank borrowings	2,524	2,617
Deferred tax liabilities	4,057	4,057
	6,905	7,149

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (CONT'D)

	Unaudited As at 31 Mar 2018 RM'000	Audited As at 31 Dec 2017 RM'000
CURRENT LIABILITIES		
Trade payables	4,458	4,879
Other payables	4,868	6,459
Finance lease payables	269	172
Bank borrowings	329	523
Tax payable	-	3
	9,924	12,036
TOTAL LIABILITIES	16,829	19,185
TOTAL EQUITY AND LIABILITIES	**151,892**	**153,818**
NET ASSETS PER SHARE (sen)	16.79 (1)	16.74 (2)

Notes:

(1) Based on 809,499,132 ordinary shares in BHB as at 31 March 2018.

(2) Based on 809,249,132 ordinary shares in BHB as at 31 December 2017.

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 2017 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018

	<------ Non-Distributable						------>	Distributable			
	Share Capital RM'000	**Share Premium RM'000**	**Warrant Reserve RM'000**	**Share issuance Scheme ("SIS") Option Reserve RM'000**	**Merger Deficits RM'000**	**Foreign Currency Translation Reserve RM'000**	**Other Reserve RM'000**	**Retained Earnings RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
Balance as at 1 January 2017	33,333	24,725	-	-	(4,969)	(27)	-	44,929	97,991	(595)	97,396
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	-	-	-	7,865	7,865	(388)	7,477
Foreign exchange translation reserve	-	-	-	-	-	26	-	-	26	-	26
Total comprehensive income	-	-	-	-	-	26	-	7,865	7,891	(388)	7,503
Transaction with owners											
Issuance of rights issue with detachable free Warrants	6,667	20,000	16,853	-	-	-	(16,853)	-	26,667	-	26,667
Exercises of Warrants	-*	-	-*	-	-	-	-*	-	-*	-	-*
Share options granted under SIS	-	-	-	1,800	-	-	-	-	1,800	-	1,800
Exercise of SIS	2,729	-	-	(833)	-	-	-	-	1,896	-	1,896
Dividends to owners of company	-	-	-	-	-	-	-	(809)	(809)	-	(809)
Net change of non-controlling interests	-	-	-	-	-	-	-	-	-	180	180
Total transactions with owners	9,396	20,000	16,853	967	-	-	(16,853)	(809)	29,554	180	29,734
Transfer in accordance with Section 618(2) of the Companies Act, 2016	44,725	(44,725)	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	**87,454**	**-**	**16,853**	**967**	**(4,969)**	**(1)**	**(16,853)**	**51,985**	**135,436**	**(803)**	**134,633**

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

	<------------------------------			Non-Distributable		------------------------------>	Distributable			
	Share Capital RM'000	Warrant Reserve RM'000	SIS Option Reserve RM'000	Merger Deficits RM'000	Foreign Currency Translation Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2018	87,454	16,853	967	(4,969)	(1)	(16,853)	51,985	135,436	(803)	134,633
Net loss for the financial period, representing total comprehensive income for the financial period	-	-	-	-	-	-	603	603	-	603
Foreign currency translation reserves	-	-	-	-	(233)	-	-	(233)	-	(233)
Total comprehensive income	-	-	-	-	(233)	-	603	370	-	370
Transaction with owners										
Exercises of SIS	74	-	(23)	-	-	-	-	51	-	51
Net change of non-controlling interests	-	-	-	-	-	-	46	46	(37)	9
Total transactions with owners	74	-	(23)	-	-	-	46	97	(37)	60
Balance as at 31 March 2018	**87,528**	**16,853**	**944**	**(4,969)**	**(234)**	**(16,853)**	**52,634**	**135,903**	**(840)**	**135,063**

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 2017 and the accompanying explanatory notes attached to this interim financial report.

** Amount is negligible as it is less than RM1,000.*

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018

	Current Year to date 31 Mar 2018 RM'000	Preceding Corresponding Year to date 31 Mar 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before tax	634	(2,054)
Adjustments for:		
Amortisation of development expenditures	978	654
Amortisation of biological assets	-	90
Depreciation of property, plant and equipment	1,254	997
Fair value loss on biological assets	37	-
Fair value gain on plantation expenditure	(101)	-
Loss / (gain) on disposal of property, plant and equipment	2	(57)
Grant income	(107)	(99)
Fair value loss on share-based payment	-	1,800
Interest expense	42	47
Interest income	(51)	(233)
Property, plant and equipment written off	-	5
Rental income	(22)	-
Reversal of impairment losses on trade receivables	(2)	-
Unrealised loss on foreign exchange	62	378
Operating profit before working capital changes	2,726	1,528
Changes in working capital:		
Biological assets	(9)	-
Inventories	(1,814)	(381)
Trade receivables	3,574	3,703
Other receivables	(3,047)	5,440
Trade payables	(421)	109
Other payables	(295)	(1,004)
Director	-	(9)
Cash generated from operations	714	9,386

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

	Current Year to date 31 Mar 2018 RM'000	Preceding Corresponding Year to date 31 Mar 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Grant received	107	99
Interest paid	(42)	(6)
Interest received	51	233
Rental received	22	-
Tax paid	(59)	(191)
Tax refund	64	110
NET CASH FROM OPERATING ACTIVITIES	857	9,631
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in research and development expenditures	(872)	(8,438)
Placement of fixed deposit	(100)	-
Purchase of property, plant and equipment	(2,828)	(4,370)
Deposits paid for purchase of property, plant and equipment	(2,439)	-
NET CASH USED IN INVESTING ACTIVITIES	(6,239)	(12,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(809)	-
Increased in fixed deposit pledged	(18)	-
Proceeds from issue of share capital	51	26,667
Repayment of finance lease payables	(55)	(48)
Repayment of term loans	(287)	(167)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(1,118)	26,452

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

	Current Year to date 31 Mar 2018 RM'000	Preceding Corresponding Year to date 31 Mar 2017 RM'000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(6,500)	23,275
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	60	(303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	24,830	5,930
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	18,390	28,902
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	4,150	1,902
Fixed deposits with licensed banks	15,243	27,885
	19,393	29,787
Less: Fixed deposits pledged with licensed banks	(1,003)	(885)
	18,390	28,902

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 2017 and the accompanying explanatory notes attached to this interim financial report.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018

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 2017 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 2017, except for the adoption of the following:

MFRS and IC Interpretations (Including The Consequential Amendments)		**Effective dates for financial periods beginning on or after**
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 140	Transfers of Investment Property	1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

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):

<u>MFRS 16 *Leases*</u>

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 2017.

A3. Seasonal or cyclical factors

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

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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

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 number of shares allotted for the exercise of warrants and SIS are as below:

Date	No. of shares allotted	Remark
9 January 2018	50,000	Exercise SIS
13 February 2018	200,000	Exercise SIS

There were no other issuance, cancellation, repurchase, resale and repayment of debt for the current financial period-to-date.

A7. Segmental information

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

	Current quarter ended		Year-to-date	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Malaysia	9,089	4,577	9,089	4,577
Indonesia	2,397	2,582	2,397	2,582
China	977	1,472	977	1,472
Total	12,463	8,631	12,463	8,631

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

A7. Segmental information (cont'd)

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

	Current quarter ended		Year-to-date	
	31 Mar 2018 RM'000	**31 Mar 2017 RM'000**	**31 Mar 2018 RM'000**	**31 Mar 2017 RM'000**
Manufacturing & sale of finished health supplement products	6,489	4,817	6,489	4,817
Retail pharmacies	5,974	3,814	5,974	3,814
Total	12,463	8,631	12,463	8,631

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 31 Mar 2018 RM'000	**Financial year-to-date 31 Mar 2018 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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018 (CONT'D)

A11. Contingent liabilities

	Current quarter ended 31 Mar 2018 RM'000	Financial year-to-date 31 Mar 2018 RM'000
Unsecured:		
Corporate guarantees given to the licensed financial institution for credit facility granted to a subsidiary company	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.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the financial period ended **("FPE")** 31 March 2018 was RM12.46 million, an increase of RM3.83 million or 44.38% as compared to RM8.63 million in the preceding corresponding quarter FPE 31 March 2017. Both the manufacturing and retail pharmacy divisions contributed to the growth in revenue. Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing and sale of finished health supplement products

The revenue generated from this segment for the FPE 31 March 2018 was RM6.49 million as compared to RM4.82 million in the preceding corresponding quarter FPE 31 March 2017, representing an increase of RM1.67 million or 34.65%.

The higher revenue was mainly due to increase in sales of health supplement products, particularly in Malaysia. Domestic sales for the FPE 31 March 2018 increased from RM0.76 million to RM3.12 million or 310.53% as compared to the preceding corresponding quarter, attributed to surge in orders for new and existing products from current clientele. There was also contribution from new customer during the quarter under review.

Export of health products to China and Indonesia, meanwhile, experienced marginal slowdown with lower sales registered during the quarter under review.

(ii) Retail pharmacies

The revenue generated from this segment for the FPE 31 March 2018 was RM5.97 million as compared to RM3.81 million in the preceding corresponding quarter FPE 31 March 2017, representing an increase of RM2.16 million or 56.69%. The improvement stemmed from higher sales registered at the pharmacy outlets.

Gross profit margin was higher at 39.22% in the FPE 31 March 2018 in comparison to 34.38% in the preceding corresponding quarter FPE 31 March 2017 due to favourable product mix. The improved gross profit margin together with the increase in revenue resulted in gross profit rising by RM1.92 million or 64.65% to RM4.89 million.

Net profit attributable to the owners of the parent was RM0.60 million for FPE 31 March 2018. By comparison, the Group recorded a net loss of RM2.08 million in the preceding corresponding quarter.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B1. Analysis of performance (cont'd)

Comparison with immediate preceding quarter's results

The revenue for the first (1st) quarter ended 31 March 2018 decreased by RM6.45 million or 34.11% from RM18.91 million to RM12.46 million as compared to the fourth (4th) quarter ended 31 December 2017.

The Group's business activities typically peak in the third (3rd) and fourth (4th) quarter of the calendar year in conjunction with year-end festive promotional activities by its customers. As such, the first (1st) quarter sales are generally lower by comparison to other quarters.

The profit before tax **("PBT")** for the first (1st) quarter ended 31 March 2018 has decreased by RM5.23 million or 89.25% to RM0.63 million from RM5.86 million in the fourth (4th) quarter ended 31 December 2017 in tandem with the decline in revenue.

B2. Prospects for the financial year ending 31 December 2018

The Group remains positive on the outlook for the domestic market as it expects both the manufacturing segment and retail pharmacy business to continue doing well in 2018. For the manufacturing segment, growth is driven by an increase in demand from existing Original Design Manufacturing **("ODM")** customers as well as new ODM customers secured during the year. The Group's existing customers experienced uptick in sales in 2017 and this is expected to prevail going into 2018, reflecting solid demand for products formulated by the research and development **("R&D")** team at BHB. Additionally, the Group is also in discussions with several potential clients are already underway in order to grow its customer base and product offerings.

Another growth factor for manufacturing segment involves the Group's strategy to increase revenue from house brand products by leveraging on its own retail pharmacy chain. The Group rolled out 7 new products in 2017 to enhance the product offerings at the Constant pharmacy outlets and plans to launch more new house brand products in 2018 as these carry higher profit margins. Overall, the Group's outlook on its local manufacturing segment is upbeat, underpinned by increase in ODM sales and higher proportion of house brand sales through the retail arm's contributions.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B2. Prospects for the financial year ending 31 December 2018 (cont'd)

As for the retail pharmacy business, the Group continues its efforts in strengthening the presence of its Constant pharmacies via franchising and prospective acquisition exercise. The Group's expansion strategy focuses on opening new outlets in locations outside the Klang Valley, where the competition is less stiff and Constant pharmacies can offer better value-added services such as free consultation, free basic check-ups and special discounts on member days. The Group is currently in talks with several prospective franchisees for the opening of new Constant pharmacy outlets in Perak, Kelantan, Terengganu and Johor, being the target markets. At the same time, the Group is also constantly exploring opportunities for acquisition to fast track its retail pharmacy chain growth.

Additionally, the expansion of the Group's retail pharmacy business will be driven by its e-Constant initiative, an online virtual e-commerce store with referral rewards programme for cooperative members, which the Group launched in 2017. Promotional and marketing activities are ongoing to sign up more cooperative members to operate the virtual stores.

Over in China, the Group continues to sell its health supplement products in the Southern part of China (such as Guangzhou and Shenzhen) via the appointed distributors. As for the new target market comprising Muslim-majority provinces – Xinjiang, Qinghai, Shaanxi and Gansu, the Group has already appointed distributors in respective provinces and are working closely with them to promote Bioalpha's Halal certified products. We are optimistic on the prospect of this new segment although we are also cognizant that it would take time to educate the consumers and develop the market. As of to-date, the Group has introduced 5 new products for this market.

For its Indonesian market, the Group has successfully launched several new products in 2017 and targets to launch another 6 new products in 2018. Meanwhile, its manufacturing facility in Kampar is currently producing functional food and health supplement products. With this facility, the Group expects to introduce new products to the market at a faster pace as it shortens the otherwise lengthy registration process. The Group expects revenue from Indonesia to increase once the Kampar facility secured more product registration approvals.

On the agriculture side, the Phase II land clearing activities at the 879.5-acre of land in Pasir Raja, Dungun, Terengganu is currently ongoing. The Group will plant herbs such as Tongkat Ali, Kacip Fatimah, Betik Sekaki, Lada Hitam, Durian Belanda, Pokok Kari, Mas Cotek and Serai, which are high in demand. The Group targets to clear 200 acres of the land in Pasir Raja, Dungun by end of 2018. With more herbs reaching maturity stage in 2018 from both Pasir Raja and Desaru Herbal Parks coupled with the overall increase in planted acreage, the Group expects to harvest greater tonnage of raw fresh herbs in 2018 by comparison to 2017.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B2. Prospects for the financial year ending 31 December 2018 (cont'd)

As for the development of botanical drugs, the Group is in the process of making Investigational New Drug Application for clinical trials on human beings.

In view of the aforementioned growth prospects across the business divisions, the Board of Directors of the Company **("Board")** is optimistic on the Group's performance for the financial year ending 31 December 2018.

B3. Profit forecast or profit guarantee

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

B4. Foreign Exchange Exposure / Hedging policy

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

The Group 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.

B5. Taxation

	Current quarter ended		Financial year-to-date	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	31	30	31	30
Effective tax rate (%)	4.89	(1.46)	4.89	(1.46)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B5. Taxation (cont'd)

Bioalpha R&D Sdn Bhd ("**BRDSB**"), a wholly-owned subsidiary of the Group, was awarded BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn Bhd, which allows BRDSB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years ending 30 June 2018 and 20% concessionary tax rate of 20% on statutory income (10) years upon expiry of the tax exemption period.

Bioalpha East Coast Agro Sdn Bhd ("**BECASB**"), another wholly-owned subsidiary of the Group, was awarded Pioneer Status by the Malaysian Investment Development Authority, which allows BECASB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years.

Meanwhile, the Group's other subsidiaries are taxed at the statutory rate of 24% on their chargeable incomes.

B6. Status of corporate proposals and utilisation of proceeds

(i) Utilisation of proceeds

On 10 January 2017, the Company completed the renounceable Rights Issue of 133,333,131 Rights Share(s) together with 133,333,131 Warrants at an issue price of RM0.20 on the basis of 1 Rights Share for every 5 Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed. The Right Share(s) with Warrants were listed and quoted on the ACE Market of Bursa Securities.

The status of utilisation of the proceeds of approximately RM26.67 million is as follow:

No.	Purpose	Approved Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Intended time Frame for Utilisation (from 10 January 2017)
(a)	Production of new products	13,500	(13,500)	-	Within 18 months
(b)	Capital expenditure	3,500	(3,500)	-	Within 18 months
(c)	Expansion of agriculture business operations	8,500	(4,242)	4,258	Within 18 months
(d)	Working capital	512	(512)	-	Within 6 months
(e)	Estimated expenses	655	(655)	-	Within 1 month
	Total	26,667	(22,409)	4,258	

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B7. Trade receivables

	31 Mar 2018 RM'000
Trade receivables	28,087
Less: Accumulated impairment losses	(416)
	27,671

The Group's normal trade credit terms ranged from 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.

	31 Mar 2018 RM'000
Neither past due not impaired	11,511
Past due but not impaired:	
Less than 30 days	3,945
31 to 60 days	1,696
61 to 90 days	855
More than 90 days	9,664
	16,160
	27,671
Impaired	416
	28,087

Trade receivables of the Group that are individually assessed to be impaired amounting to RM0.42 million, related to customers that are in financial difficulties. These balances are expected to be recovered through the debts recovery process.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B8. Borrowings

The Group's borrowings as at 31 March 2018 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	269	324	593
Term loans	329	2,524	2,853
Total bank borrowings	598	2,848	3,446

	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Total bank borrowings	3,446	3,854
Total equity	135,063	123,776
Gearing ratio (times)	0.03	0.03

Weighted average interest rate of term loans and finance leases are 27.25% and 9.17%, and are subject to the floating interest rate and fixed interest rate, respectively.

B9. 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.

B10. Dividends

On 8 January 2018, the Board has declared and paid a first interim single-tier dividend of RM0.001 per ordinary share on 809,249,720 ordinary shares, amounting to RM809,249.72 in respect of financial year ending 31 December 2017.

The Board did not recommend any dividend during the FPE 31 March 2018 *(FPE 31 March 2017: Nil)*.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Net profit / (loss) attributable to owners of the parent	640	(1,955)	640	(1,955)
Weighted average number of ordinary shares in issue ('000)	809,399	786,666	809,399	786,666
Basic earnings / (loss) per share (sen)	0.079	(0.249)	0.079	(0.249)

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Net profit / (loss) attributable to owners of the parent	640	(1,955)	640	(1,955)
Weighted average number of ordinary shares in issue ('000)	953,482	786,666	953,482	786,666
Diluted earnings per share (sen)	0.067	-	0.067	-

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B12. 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*-->	
	31 Mar 2018 RM'000	**31 Mar 2017 RM'000**	**31 Mar 2018 RM'000**	**31 Mar 2017 RM'000**
Depreciation and amortisation expenses	2,232	1,651	2,232	1,651
Foreign exchange loss / (gain)				
- Realised	1	(119)	1	(119)
- Unrealised	62	378	62	378
Fair value loss on share-based payment	-	1,800	-	1,800
Grant income	(107)	(99)	(107)	(99)
Interest expenses	42	47	42	47
Interest income	(51)	(233)	(51)	(233)
Property, plant and equipment written off	-	5	-	5
Reversal of impairment losses on trade receivables	(2)	-	(2)	-
<u>Other income:</u>				
Advertisement and promotion income	(132)	(134)	(132)	(134)
loss / (gain) on disposal of property, plant and equipment	2	(57)	2	(57)
Management fee	(92)	(280)	(92)	(280)
Rental income	(22)	(9)	(22)	(9)

There was 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.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B13. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 March 2018 into realised and unrealised profits is as follows:

	As at 31 March 2018 RM'000	**As at 31 March 2017 RM'000**
Retained earnings of the Group:		
- Realised	48,482	38,737
- Unrealised	(62)	3,833
Total	48,420	42,570
Add: Consolidation adjustments	(45)	404
Total retained earnings of the Group	48,375	42,974

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 28 May 2018.

By Order of the Board,

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

Kuala Lumpur

Dated: 28 May 2018