



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

(“BHB” OR THE “COMPANY”)

INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018

Contents	Page
Unaudited Condensed Consolidated Statement of Comprehensive Income	1
Unaudited Condensed Consolidated Statement of Financial Position	2
Unaudited Condensed Consolidated Statement of Changes in Equity	4
Unaudited Condensed Consolidated Statement of Cash Flows	6
Notes to the Unaudited Condensed Consolidated Financial Statements	9

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Changes	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000	Changes
Revenue	17,313	18,910	(8%)	69,504	55,917	25%
Cost of sales	(9,629)	(12,151)		(40,089)	(33,884)	
Gross profit	<u>7,684</u>	<u>6,759</u>	14%	<u>29,415</u>	<u>22,033</u>	34%
Other incomes	620	3,381		2,833	8,201	
Administrative expenses	(2,920)	(4,231)		(17,536)	(20,670)	
Profit from operations	<u>5,384</u>	<u>5,909</u>	(9%)	<u>14,712</u>	<u>9,564</u>	53%
Finance costs	(97)	(51)		(300)	(189)	
Profit before taxation	<u>5,287</u>	<u>5,858</u>	(10%)	<u>14,412</u>	<u>9,375</u>	53%
Taxation	(1,905)	(1,647)		(2,360)	(1,898)	
Profit for the financial period / year	<u><u>3,382</u></u>	<u><u>4,211</u></u>	(20%)	<u><u>12,052</u></u>	<u><u>7,477</u></u>	60%
Profit for the financial period / year attributable to:						
- Owners of the parent	3,020	4,433	(32%)	11,998	7,865	51%
- Non-controlling interests	<u>362</u>	<u>(222)</u>		<u>54</u>	<u>(388)</u>	
	<u><u>3,382</u></u>	<u><u>4,211</u></u>		<u><u>12,052</u></u>	<u><u>7,477</u></u>	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.363	0.548		1.467	0.980	
- Diluted	0.310	0.465		1.249	0.840	

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Unaudited As at 31 Dec 2018 RM'000	Audited As at 31 Dec 2017 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	47,919	37,238
Goodwill on consolidation	6,084	5,334
Development expenditures	35,578	30,532
	<u>89,581</u>	<u>73,104</u>
CURRENT ASSETS		
Biological assets	389	189
Inventories	9,167	7,590
Trade receivables	37,150	31,726
Other receivables	21,154	14,858
Tax recoverable	350	625
Other investments	11	11
Fixed deposits with licensed banks	18,591	18,743
Cash and bank balances	4,670	6,972
	<u>91,482</u>	<u>80,714</u>
TOTAL ASSETS	<u>181,063</u>	<u>153,818</u>
EQUITY		
Share capital	99,787	87,454
Reserves	58,698	47,982
Equity attributable to owners of the parent	<u>158,485</u>	<u>135,436</u>
Non-controlling interests	(749)	(803)
TOTAL EQUITY	<u>157,736</u>	<u>134,633</u>
NON-CURRENT LIABILITIES		
Finance lease liabilities	416	475
Bank borrowings	4,866	2,617
Deferred tax liabilities	5,759	4,057
	<u>11,041</u>	<u>7,149</u>

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

	Unaudited As at 31 Dec 2018 RM'000	Audited As at 31 Dec 2017 RM'000
CURRENT LIABILITIES		
Trade payables	5,427	4,879
Other payables	5,791	6,459
Finance lease liabilities	158	172
Bank borrowings	910	523
Tax payable	-	3
	<u>12,286</u>	<u>12,036</u>
TOTAL LIABILITIES	<u>23,327</u>	<u>19,185</u>
TOTAL EQUITY AND LIABILITIES	<u>181,063</u>	<u>153,818</u>
NET ASSETS PER SHARE (sen)	18.42 ⁽¹⁾	16.74 ⁽²⁾

Notes:

(1) Based on 860,209,032 ordinary shares in BHB as at 31 December 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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
Profit 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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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
Opening balance adjustments from adoption of MFRS 9	-	-	-	-	-	-	(111)	(111)	-	(111)
Balance as at 1 January 2018 (restated)	87,454	16,853	967	(4,969)	(1)	(16,853)	51,874	135,325	(803)	134,522
Profit for the financial year	-	-	-	-	-	-	12,052	12,052	-	12,052
Foreign currency translation reserves	-	-	-	-	(136)	-	-	(136)	-	(136)
Total comprehensive income	-	-	-	-	(136)	-	12,052	11,916	-	11,916
Transaction with owners										
Dividends to owners of the Company	-	-	-	-	-	-	(891)	(891)	-	(891)
Issuance of private placement	11,882	-	-	-	-	-	-	11,882	-	11,882
Exercise of SIS	451	-	(153)	-	-	-	-	298	-	298
Net change of non-controlling interests	-	-	-	-	-	-	(45)	(45)	54	9
Total transactions with owners	12,333	-	(153)	-	-	-	(936)	11,244	54	11,298
Balance as at 31 December 2018	99,787	16,853	814	(4,969)	(137)	(16,853)	62,990	158,485	(749)	157,736

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018

	Unaudited Current Period to date 31 Dec 2018 RM'000	Audited Preceding Corresponding Period to date 31 Dec 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,412	9,375
Adjustments for:		
Amortisation of development expenditures	3,567	2,999
Amortisation of deferred capital grant	(428)	(428)
Amortisation of biological assets	26	-
Bad debts written off	-	1
Biological assets written off	-	302
Depreciation of property, plant and equipment	5,426	4,390
Fair value gain on biological assets	(39)	-
Gain on disposal of property, plant and equipment	(39)	-
Grant income	(428)	(1,165)
Impairment losses on trade receivables	89	130
Impairment losses on other receivables	-	1
Interest expense	296	189
Interest income	(569)	(830)
Property, plant and equipment written off	226	42
Reversal of impairment losses on trade receivables	(36)	(44)
Share based payment	-	1,800
Unrealised loss on foreign exchange	399	1,363
Waiver of amount on trade payables	-	(15)
Operating profit before working capital changes	22,902	18,110
Changes in working capital:		
Biological assets	(160)	(189)
Inventories	(1,577)	356
Trade receivables	(5,588)	(3,314)
Other receivables	(922)	2,996
Trade payables	548	1,172
Other payables	873	(508)
Director	-	(10)
Cash generated from operations	16,076	18,613

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

	Unaudited Current Period to date 31 Dec 2018 RM'000	Audited Preceding Corresponding Period to date 31 Dec 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Government grant received	428	1,165
Interest paid	(296)	(189)
Interest received	569	830
Tax refund	121	103
Tax paid	(503)	(348)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	16,395	20,174
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in intangible assets	(750)	-
Addition in research and development expenditures	(8,612)	(14,963)
Placement of other investments	-	(11)
Purchase of property, plant and equipment	(13,712)	(11,112)
Proceeds from disposal of property, plant and equipment	277	-
Deposits paid for purchase of property, plant and equipment	(5,372)	(1,710)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(28,169)	(27,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,700)	-
Government grant received	-	(1)
Increased in fixed deposit pledged and maturity more than 3 months	(7,319)	(8,018)
Net changes on banker's acceptance	344	(3)
Proceeds from issue of share capital	12,180	28,563
Repayment of finance lease liabilities	(342)	(222)
Repayment of term loans	(708)	(383)
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	2,455	19,936

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

	Unaudited Current Period to date 31 Dec 2018 RM'000	Audited Preceding Corresponding Period to date 31 Dec 2017 RM'000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(9,319)	12,314
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(454)	(547)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>16,812</u>	<u>5,045</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u><u>7,039</u></u>	<u><u>16,812</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	4,670	6,972
Fixed deposits with licensed banks	<u>18,591</u>	<u>18,743</u>
	23,261	25,715
Less: Fixed deposits pledged with licensed banks	(1,022)	(903)
Less: Fixed deposits maturity more than 3 months	<u>(15,200)</u>	<u>(8,000)</u>
	<u><u>7,039</u></u>	<u><u>16,812</u></u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017 except as disclosed below:

As of 1 January 2018, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRSs and amendments effective for annual period beginning on or after 1 January 2018:

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

The adoption of the above pronouncement has no material financial impact to the Group other than as asset out below:

MFRS 9 Financial Instruments

The Group adopted MFRS 9: *Financial Instruments* on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVTPL**"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. The Group has elected to classify the equity investments as FVTPL and present subsequent changes in the investment's fair value to profit or loss.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("**ECL**") model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM'000
Decrease in retained earnings	(111)
Decrease in trade receivables	(111)

The current year to date impact of expected credit losses has been recognised into profit or loss in the current year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces the guidance in IFRS 111 *Construction Contracts*, IFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of IFRS 15 does not have a material effect on the Group's financial statements.

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.

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 SIS are as below:

Date	Number of shares allotted	Remarks
11 October 2018	100,000	Exercise SIS
12 October 2018	100,000	Exercise SIS
22 October 2018	500,000	Exercise SIS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Malaysia	8,084	10,273	44,308	29,877
Indonesia	2,749	3,315	13,546	13,521
China	6,480	5,322	11,650	12,519
Total	17,313	18,910	69,504	55,917

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

	Current quarter ended		Year-to-date	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Manufacturing & sale of finished health supplement products	12,958	12,572	44,099	36,535
Retail pharmacies	4,355	6,338	25,405	19,382
Total	17,313	18,910	69,504	55,917

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

	Unaudited Current quarter ended 31 Dec 2018 RM'000	Unaudited Financial period- to-date 31 Dec 2018 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	-	4,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

A10. Changes in the composition of the Group

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

A11. Contingent liabilities

	Unaudited Current quarter ended 31 Dec 2018 RM'000	Unaudited Financial period- to-date 31 Dec 2018 RM'000
Unsecured:		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	<u>200</u>	<u>200</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter was RM17.31 million as compared to RM18.91 million in the preceding quarter, representing a net change of RM1.60 million or 8.46%. Its cumulative revenue for the financial year ended ("**FYE**") 31 December 2018 was RM69.50 million as compared to RM55.92 million in the preceding corresponding FYE 31 December 2017, representing an increase of RM13.58 million or 24.28%. 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 current quarter was RM12.96 million as compared to RM12.57 million in the preceding quarter, representing an increase of RM0.39 million or 3.10%. Its cumulative revenue for the FYE 31 December 2018 was RM44.10 million as compared to RM36.54 million in the preceding corresponding FYE 31 December 2017, representing an increase of RM7.56 million or 20.69%.

The higher revenue was mainly due to increase in sales of health supplement products, particularly in Malaysia. Domestic sales for the FYE 31 December 2018 increased from RM29.88 million to RM44.31 million or 48.29% as compared to the preceding corresponding year, attributed to surge in orders for new and existing products from current clientele. There was also contributions from new customers during the year under review.

Meanwhile, export of health products to China and Indonesia remained stable during the quarter under review.

(ii) Retail pharmacies

The revenue generated from this segment for the current quarter was RM4.36 million as compared to RM6.34 million in the preceding quarter, representing a decrease of RM1.98 million or 31.23%. Meanwhile, for the FYE 31 December 2018 was RM25.41 million as compared to RM19.38 million in the preceding corresponding FYE 31 December 2017, representing an increase of RM6.03 million or 31.11%. The improvement stemmed from higher sales registered at the pharmacy outlets, with the opening of more new outlets.

Gross profit margin was maintained at 42.32% in the FYE 31 December 2018 in comparison to 39.40% in the preceding corresponding FYE 31 December 2017 due to favourable product mix.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

B1. Analysis of performance (cont'd)

Net profit attributable to the owners of the parent for the current quarter was RM3.02 million and for the FYE 31 December 2018 was RM12.00 million. By comparison, the Group recorded a net profit of RM4.21 million in the preceding quarter and RM7.48 million in the preceding corresponding quarter.

Comparison with immediate preceding quarter's results

The revenue for the fourth (4th) quarter ended 31 December 2018 dropped by RM2.87 million or 14.22% from RM20.18 million to RM17.31 million as compared to the third (3rd) quarter ended 30 September 2018. The marginal decrease was mainly due to high stocking up activities by local customers in third quarter during the June to August 2018 tax-holiday period, prior to the implementation of Sales and Services Tax ("SST") on 1 September 2018.

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.

The profit before tax ("**PBT**") for the fourth (4th) quarter ended 31 December 2018 has increased by RM0.88 million or 19.95% to RM5.29 million from RM4.41 million in the third (3rd) quarter ended 30 September 2018.

B2. Prospects for the financial year ending 31 December 2019

The Group remains positive on the prospects for both its manufacturing and retail pharmacy segments in 2019. For the manufacturing business, the Group anticipates steady recurring orders from Original Design Manufacturing ("**ODM**") clients for its health supplement products. Additionally, the Group is also in the midst of discussions with several potential new clients to grow its customer base and product offerings. The Group expects the solid demand from local market to prevail going into 2019.

Following the strong performance in 2018 that was led by domestic growth, the Group will now be focusing on strengthening its presence in its key export markets. In China, the Group is entering the Business-to-Consumer ("**B2C**") scene to market its house brand products – Apotec and Nushine. As part of our B2C strategy, a distributor has been appointed to promote and distribute Bioalpha's health supplement products in the Guangxi province. Apart from physical presence, the Group is also planning to feature its products on China's popular e-commerce platforms such as JD.com and Taobao.com. We shall be appointing a local partner from Hainan to facilitate the listing on the platforms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

B2. Prospects for the financial year ending 31 December 2019 (cont'd)

In Indonesia, the Group currently produces functional food products. Recently, the Group has received approvals to produce several health supplement products for existing ODM clients. With this, the Group expects revenue from Indonesia to pick up over time with more orders slated to come in.

Overall, the Group's outlook on its manufacturing segment in 2019 is positive, underpinned by growing export sales and recurring orders from ODM customers, in addition to acquiring new clients.

Meanwhile, for the retail pharmacy business, the Group remains committed to expanding its Constant pharmacy network by franchising more outlets. There are more than 20 Constant pharmacy outlets nationwide at the moment and the Group plans to launch another 15 in the next 12 months. The Group's strategy is to open new outlets in locations outside the Klang Valley, with a focus on the Southern region, 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. With the increase in number of outlets, the Group expects demand for its house brand products to also improve in 2019.

As for the agriculture division, land clearing activities at the 1,004-acre of land in Pasir Raja, Dungun, Terengganu is currently ongoing, with 260 acres already developed. Meanwhile, 100 acres of land at the Desaru Herbal Park in Johor is already planted with herbs, while the remaining 200 acres is being cleared. The Group is currently planting 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 is also cultivating high-yielding crops such as soursop and coconut trees at its herbal parks. With more herbs and crops reaching maturity stage in 2019 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 2019.

There is also an opportunity to sell herbs to external customers with a rise in the tonnage volume.

In the development of botanical drugs, the Group have achieved 3 patents approved and several more are still ongoing in process. For the studies, the Group is currently working towards entering clinical trials.

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 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

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”) and Singapore Dollar (“SGD”).

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 period-to-date	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	212	84	372	137
- (Over) / under provision in prior period / year	(9)	2	286	47
	<u>203</u>	<u>86</u>	<u>658</u>	<u>184</u>
Deferred tax:				
- Origination and reversal of temporary differences	1,714	1,576	1,714	1,731
- Over provision in prior period / year	(12)	(15)	(12)	(17)
	<u>1,702</u>	<u>1,561</u>	<u>1,702</u>	<u>1,714</u>
	<u>1,905</u>	<u>1,647</u>	<u>2,360</u>	<u>1,898</u>
Effective tax rate (%)	36.03	28.12	16.38	20.25

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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 on statutory income (10) years ending 2028 upon expiry of the tax exemption period, subject to the approval from the relevant authorities.

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 after commercial production date is determined by the relevant authorities 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 1 November 2018, the Company has announced to fixed the issue price for 59,509,900 Placement Shares at RM0.24 each (“Issue Price”). The 49,509,900 new ordinary shares in the Company were allotted and issued pursuant to the Private Placement that was announced on 1 October 2018. The Board shall re-fix the issue price for the remaining 10,000,000 Placement Shares in due course.

The status of utilisation of the proceeds of approximately RM11.88 million is as follow:

No.	Purpose	Approved Utilisation RM'000	Actual Utilisation RM'000	Balance as at 31 Dec 2018 RM'000	Intended time Frame for Utilisation (from 1 November 2018)
(a)	Acquisition of business to be identified	8,000	-	8,000	Within 24 months
(b)	Working capital for its potential new businesses	3,232	-	3,232	Within 24 months
(c)	Estimated expenses	650	(650)	-	Within 2 weeks
Total		11,882	(650)	11,232	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

B7. Trade receivables

	Unaudited 31 Dec 2018 RM'000
Trade receivables	37,809
Less: Accumulated impairment losses	(659)
	<u>37,150</u>

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.

B8. Borrowings

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

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	158	416	574
Term loans	566	4,866	5,432
Banker's acceptance	344	-	344
Total bank borrowings	<u>1,068</u>	<u>5,282</u>	<u>6,350</u>

	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Total bank borrowings	6,350	3,787
Less: Deposit, bank and cash balances	(23,261)	(25,715)
Net debt	<u>(16,911)</u>	<u>(21,928)</u>
Total equity	157,736	134,633
Gearing ratio (times)	*	*

Weighted average interest rate of term loans, banker's acceptance and finance leases are 4.98% p.a., 0.29% p.a. and 2.47% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial years ended 31 December 2018 and 31 December 2017 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

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

- (1) On 27 November 2017, the Board has declared a first interim dividend, tax exempt under the single-tier tax system, of RM0.001 per ordinary share on 809,249,720 ordinary shares, amounting to RM809,249.72 in respect of financial year ended 31 December 2017 and paid on 8 January 2018.
- (2) On 27 August 2018, the Board has declared a first interim dividend, tax exempt under the single-tier tax system, of RM0.0011 per ordinary share on 809,999,132 ordinary shares, amounting to RM891,000.00 in respect of financial year ended 31 December 2018 and paid on 18 October 2018. (FYE 31 December 2017: RM809,249.72).

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Net profit attributable to owners of the parent	3,020	4,433	11,998	7,865
Weighted average number of ordinary shares in issue ('000)	832,187	808,431	818,055	803,637
Basic earnings per share (sen)	0.363	0.548	1.467	0.980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

B11. Earnings per share (cont'd)

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Net profit attributable to owners of the parent	3,020	4,433	11,998	7,865
Weighted average number of ordinary shares in issue ('000)	974,820	952,514	960,688	932,798
Diluted earnings per share (sen)	<u>0.310</u>	<u>0.465</u>	<u>1.249</u>	<u>0.840</u>

B12. Disclosure on selected expense/(income) items as required by the Listing Requirements

Included in profit before taxation are the following expense/(income) items:

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Bad debts written off	-	-	-	1
Biological assets written off	-	-	-	302
Depreciation and amortisation expenses	2,499	1,756	9,019	7,389
Foreign exchange loss / (gain)				
- Realised	(60)	(3)	449	(171)
- Unrealised	(17)	276	399	1,363
Fair value loss / (gain) on biological assets	42	-	(39)	-
Gain on disposal of property, plant and equipment	(15)	-	(39)	-
Grant income	91	(107)	(428)	(1,165)
Impairment loss on trade receivables	89	125	89	130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH (4th) QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

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

B12. Disclosure on selected expense/(income) items as required by the Listing Requirements (cont'd)

Included in profit before taxation are the following expense/(income) items (cont'd):

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2017 RM'000	Unaudited 31 Dec 2018 RM'000	Audited 31 Dec 2017 RM'000
Impairment loss on other receivables	-	-	-	1
Interest expenses	96	48	296	189
Interest income	(169)	(183)	(569)	(830)
Property, plant and equipment written off	(125)	-	226	42
Rental income	-	(10)	(48)	-
Reversal of impairment losses on trade receivables	(32)	(41)	(36)	(44)
Share based payment	-	-	-	1,800
Waiver of amount on trade payables	-	-	-	(15)

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.

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 27 February 2019.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)
 Company Secretaries

Kuala Lumpur

Dated: 27 February 2019