



BIOALPHA HOLDINGS BERHAD
(Company No. 949536-X)
(“BHB” OR THE “COMPANY”)

**INTERIM FINANCIAL REPORT FOR THE
FIRST (1st) QUARTER ENDED 31 MARCH 2019**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Changes	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Changes
Revenue	12,482	12,463	0%	12,482	12,463	0%
Cost of sales	(8,413)	(7,575)		(8,413)	(7,575)	
Gross profit	<u>4,069</u>	<u>4,888</u>	(17%)	<u>4,069</u>	<u>4,888</u>	(17%)
Other incomes	1,216	426		1,216	426	
Administrative expenses	(3,954)	(4,635)		(3,954)	(4,635)	
Profit from operations	<u>1,331</u>	<u>679</u>	96%	<u>1,331</u>	<u>679</u>	96%
Finance costs	(65)	(45)		(65)	(45)	
Profit before taxation	<u>1,266</u>	<u>634</u>	100%	<u>1,266</u>	<u>634</u>	100%
Taxation	(322)	(31)		(322)	(31)	
Profit for the financial period / year	<u><u>944</u></u>	<u><u>603</u></u>	57%	<u><u>944</u></u>	<u><u>603</u></u>	57%
Profit for the financial period / year attributable to:						
- Owners of the parent	858	640	34%	858	640	34%
- Non-controlling interests	<u>86</u>	<u>(37)</u>		<u>86</u>	<u>(37)</u>	
	<u><u>944</u></u>	<u><u>603</u></u>		<u><u>944</u></u>	<u><u>603</u></u>	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.100	0.079		0.100	0.079	
- Diluted	0.086	0.067		0.086	0.067	

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 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Unaudited As at 31 Mar 2019 RM'000	Audited As at 31 Dec 2018 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	49,953	47,568
Goodwill on consolidation	5,841	5,841
Right-of-use assets	5,904	-
Development expenditures	40,512	35,578
	<u>102,210</u>	<u>88,987</u>
CURRENT ASSETS		
Biological assets	629	643
Inventories	9,637	9,028
Trade receivables	34,127	39,532
Other receivables	20,609	17,166
Tax recoverable	221	463
Other investments	11	11
Fixed deposits with licensed banks	16,575	18,591
Cash and bank balances	1,868	4,526
	<u>83,677</u>	<u>89,960</u>
TOTAL ASSETS	<u>185,887</u>	<u>178,947</u>
EQUITY		
Share capital	99,764	99,764
Reserves	58,757	57,857
Equity attributable to owners of the parent	<u>158,521</u>	<u>157,621</u>
Non-controlling interests	(217)	(303)
TOTAL EQUITY	<u>158,304</u>	<u>157,318</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,583	-
Finance lease liabilities	243	416
Bank borrowings	4,706	4,810
Deferred tax liabilities	6,569	6,481
	<u>16,101</u>	<u>11,707</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 (CONT'D)

	Unaudited As at 31 Mar 2019 RM'000	Audited As at 31 Dec 2018 RM'000
CURRENT LIABILITIES		
Trade payables	4,011	5,031
Other payables	4,601	3,844
Lease liabilities	1,321	-
Finance lease liabilities	292	158
Bank borrowings	1,023	766
Tax payable	234	123
	11,482	9,922
TOTAL LIABILITIES	27,583	21,629
TOTAL EQUITY AND LIABILITIES	185,887	178,947
NET ASSETS PER SHARE (sen)	18.43 ⁽¹⁾	19.20 ⁽²⁾

Notes:

(1) Based on 860,209,032 ordinary shares in BHB as at 31 March 2019.

(2) Based on 819,485,441 ordinary shares in BHB as at 31 December 2018.

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 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

	Non-Distributable					Audited		Distributable		
	Share Capital 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 2018	87,454	16,853	968	(4,969)	(1)	(16,853)	51,985	135,437	(803)	134,634
Opening balance adjustment from adoption of MFRS 9	-	-	-	-	-	-	(70)	(70)	-	(70)
Balance as at 1 January 2018 (restated)	87,454	16,853	968	(4,969)	(1)	(16,853)	51,915	135,367	(803)	134,564
Profit for the financial year	-	-	-	-	-	-	11,586	11,586	32	11,618
Foreign exchange translation reserve	-	-	-	-	(137)	-	-	(137)	(15)	(152)
Total comprehensive income	-	-	-	-	(137)	-	11,586	11,449	17	11,466
Transaction with owners										
Issuance of ordinary shares	11,882	-	-	-	-	-	-	11,882	-	11,882
Dividends to owners of company	-	-	-	-	-	-	(891)	(891)	-	(891)
Exercise of SIS	428	-	(131)	-	-	-	-	297	-	297
Non-controlling interests arising from additional subscription of share in a subsidiary company	-	-	-	-	-	-	(483)	(483)	483	-
Total transactions with owners	12,310	-	(131)	-	-	-	(1,374)	10,805	483	11,288
Balance as at 31 December 2018	99,764	16,853	837	(4,969)	(138)	(16,853)	62,127	157,621	(303)	157,318

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

	Unaudited						Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	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				
Balance as at 1 January 2019	99,764	16,853	837	(4,969)	(138)	(16,853)	62,127	157,621	(303)	157,318
Profit for the financial year	-	-	-	-	-	-	945	945	-	945
Foreign currency translation reserves	-	-	-	-	14	-	-	14	-	14
Total comprehensive income	-	-	-	-	14	-	945	959	-	959
Transaction with owners										
Non-controlling interests arising from additional subscription of share in a subsidiary company	-	-	-	-	-	-	(59)	(59)	86	27
Total transactions with owners	-	-	-	-	-	-	(59)	(59)	86	27
Balance as at 31 March 2019	99,764	16,853	837	(4,969)	(124)	(16,853)	63,013	158,521	(217)	158,304

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 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

	Unaudited Current Period to date 31 Mar 2019 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,267	634
Adjustments for:		
Amortisation of development expenditures	921	978
Amortisation of biological assets	88	-
Depreciation of property, plant and equipment	1,552	1,254
Fair value loss on biological assets	-	37
Fair value gain on plantation expenditure	-	(101)
Gain on disposal of property, plant and equipment	-	2
Grant income	-	(107)
Interest expense	64	42
Interest income	(122)	(51)
Property, plant and equipment written off	10	-
Rental income	(9)	(22)
Reversal of impairment losses on trade receivables	(95)	(2)
Unrealised (gain) / loss on foreign exchange	(411)	62
Operating profit before working capital changes	3,265	2,726
Changes in working capital:		
Biological assets	(31)	(9)
Inventories	(608)	(1,814)
Trade receivables	5,499	3,574
Other receivables	(2,894)	(3,047)
Trade payables	(1,459)	(421)
Other payables	747	(295)
Cash generated from operations	4,519	714

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

	Unaudited Current Period to date 31 Mar 2019 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Government grant received	-	107
Interest paid	(64)	(42)
Interest received	122	51
Rental received	9	22
Tax refund	(88)	(59)
Tax paid	219	64
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	4,717	857
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in research and development expenditures	(5,104)	(872)
Placement of fixed deposit	-	(100)
Purchase of property, plant and equipment	(4,321)	(2,828)
Proceeds from disposal of property, plant and equipment	23	-
Deposits paid for purchase of property, plant and equipment	(348)	(2,439)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(9,750)	(6,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(809)
Decreased / (increased) in fixed deposit pledged and maturity more than 3 months	4,000	(18)
Net changes on banker's acceptance	146	-
Proceeds from issue of share capital	-	51
Repayment of finance lease liabilities	(39)	(55)
Repayment of term loans	(194)	(287)
	<hr/>	<hr/>
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	3,913	(1,118)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

	Unaudited Current Period to date 31 Mar 2019 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2018 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(1,120)	(6,500)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	446	60
	<u>6,086</u>	<u>24,830</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>5,412</u>	<u>18,390</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	1,868	4,150
Fixed deposits with licensed banks	16,575	15,243
	<u>18,443</u>	<u>19,393</u>
Less: Fixed deposits pledged with licensed banks	(1,031)	(1,003)
Less: Fixed deposits maturity more than 3 months	(12,000)	-
	<u>5,412</u>	<u>18,390</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 2018 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

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 2018 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 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018 except as disclosed below:

As of 1 January 2019, 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 2019:

MFRS 16: Leases

IC Interpretation 23: Uncertainty over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term interest in Associates and Joint Ventures

Amendments to MFRS 3: Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Amendments to MFRS 11: Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Amendments to MFRS 123: Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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 set out below:

MFRS 16 Leases

The Group adopted MFRS 16: *Leases* on 1 January 2019. MFRS 16 supersedes MFRS 117 *Leases* and 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 statements 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 changes in accounting policies have been applied retrospectively from 1 January 2019. In accordance with the transition requirements without restating the comparatives.

The following table analyses the impact of transition to MFRS 16 on the statement of financial position of the Group:

	Impact of adoption of MFRS 16 to opening balance at 1 January 2019
	RM'000
Closing balance at 31 December 2018	-
- Recognition of operating lease liabilities under MFRS 16	6,156
Opening balance at 1 January 2019	<u>6,156</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

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 2018.

A3. Seasonal or cyclical factors

The Group's business activities are subject to seasonal trends where the first (1st) quarter performance is usually the softest due to fewer working days as a result of festive holidays, as well as lower purchasing activities by customers, having stocked up in the prior two quarters. The Group's sales typically peak in the third (3rd) and fourth (4th) quarter of the calendar year with strong purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

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

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 FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000
Malaysia	8,035	9,089	8,035	9,089
Indonesia	2,542	2,397	2,542	2,397
China	1,905	977	1,905	977
Total	12,482	12,463	12,482	12,463

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

	Current quarter ended		Year-to-date	
	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000
Manufacturing & sale of finished health supplement products	6,526	6,489	6,526	6,489
Retail pharmacies	5,956	5,974	5,956	5,974
Total	12,482	12,463	12,482	12,463

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 Mar 2019 RM'000	Audited Financial period- to-date 31 Dec 2018 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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 Mar 2019 RM'000	Audited Financial period- to-date 31 Dec 2018 RM'000
Unsecured:		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	<u>700</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 FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's current quarter and cumulative revenue for the financial period ended ("**FPE**") 31 March 2019 increased marginally to RM12.48 million as compared to RM12.46 million in the preceding corresponding FPE 31 March 2018. The growth was achieved on the back of higher contribution from the manufacturing division. 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 2019 was RM6.53 million as compared to RM6.49 million in the preceding corresponding FPE 31 March 2018, representing an increase of RM0.04 million.

The higher revenue was mainly due to increase in export sales of health supplement products to Indonesia and China. Sales to Indonesia and China for the FPE 31 March 2019 increased from RM2.40 million and RM0.98 million to RM2.54 million and RM1.91 million or 5.83% and 94.90% respectively, as compared to the preceding corresponding FPE 31 March 2018. The growth was attributed to increase in orders for new and existing products from current clientele.

Meanwhile, the Malaysian market experienced slower sales as customers were still running down inventory following the high stocking-up activities during the tax-free window from June to August 2018 and 2018 year-end purchasing activities. Consumers were more prudent with their spending, leading to weaker sentiment in first quarter 2019.

(ii) Retail pharmacies

The revenue generated from this segment for the current quarter was RM5.96 million as compared to RM5.97 million in the preceding corresponding FPE 31 March 2018, representing a slight decrease of RM0.01 million.

Gross profit margin showed a decline to 32.60% in the FPE 31 March 2019 in comparison to 39.22% in the preceding corresponding FPE 31 March 2018. This was due to higher depreciation and amortisation charges, as well as manufacturing overheads incurred, following the upgrading of machineries in the plant.

Net profit attributable to the owners of the parent for the FPE 31 March 2019 was RM0.86 million. By comparison, the Group recorded a net profit of RM0.94 million in the current quarter and RM0.60 million in the preceding corresponding quarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

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 2019 decreased by RM4.83 million or 27.90% from RM17.31 million to RM12.48 million as compared to the fourth (4th) quarter ended 31 December 2018 due to seasonality factor.

The Group's business activities are subject to seasonal trends where the first (1st) quarter performance is usually the softest due to fewer working days as a result of festive holidays, as well as lower purchasing activities by customers, having stocked up in the prior two quarters. The Group's sales typically peak in the third (3rd) and fourth (4th) quarter of the calendar year with strong purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

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 FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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 more outlets 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 1,003-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 has been under development. The Group is currently planting herbs such as Tongkat Ali, Misai Kucing, 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 FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	234	31	234	31
Deferred tax:				
- Origination and reversal of temporary differences	88	-	88	-
	<u>322</u>	<u>31</u>	<u>322</u>	<u>31</u>
Effective tax rate (%)	25.43	4.89	25.43	4.89

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

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

B5. Taxation (cont'd)

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

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 Mar 2019 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 FIRST (1st) QUARTER ENDED 31 MARCH 2019 (CONT'D)

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

B7. Trade receivables

	Unaudited 31 Mar 2019 RM'000
Trade receivables	34,650
Less: Accumulated impairment losses	(523)
	<u>34,127</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	292	243	535
Term loans	1,023	4,706	5,729
Total bank borrowings	<u>1,315</u>	<u>4,949</u>	<u>6,264</u>

	Unaudited 31 Mar 2019 RM'000	Audited 31 Dec 2018 RM'000
Total bank borrowings	6,264	6,150
Less: Deposit, bank and cash balances	(18,443)	(23,117)
Net debt	<u>(12,179)</u>	<u>(16,967)</u>
Total equity	158,521	157,621
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and finance leases are 4.58% 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 period ended 31 March 2019 and financial year ended 31 December 2018 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 FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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

The Board did not recommend any dividend during the FPE 31 March 2019 (*FPE 31 March 2018: Nil*).

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000
Net profit attributable to owners of the parent	858	640	858	640
Weighted average number of ordinary shares in issue ('000)	860,209	809,399	860,209	809,399
Basic earnings per share (sen)	<u>0.100</u>	<u>0.079</u>	<u>0.100</u>	<u>0.079</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000
Net profit attributable to owners of the parent	858	640	858	640
Weighted average number of ordinary shares in issue ('000)	1,002,842	953,482	1,002,842	953,482
Diluted earnings per share (sen)	<u>0.086</u>	<u>0.067</u>	<u>0.086</u>	<u>0.067</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019 (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

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

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2018 RM'000
Depreciation and amortisation expenses	2,561	2,232	2,561	2,232
Foreign exchange (gain) / loss				
- Realised	-	1	-	1
- Unrealised	(411)	62	(411)	62
Grant income	-	(107)	-	(107)
Interest expenses	64	42	64	42
Interest income	(122)	(51)	(122)	(51)
Property, plant and equipment written off	10	-	10	-
Rental income	(9)	(22)	(9)	(22)
Reversal of impairment losses on trade receivables	(95)	(2)	(95)	(2)

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 May 2019.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 27 May 2019