



**BIOALPHA HOLDINGS BERHAD**  
(Registration No: 201101021398 (949536-X))  
**(“BHB” OR THE “COMPANY”)**

**INTERIM FINANCIAL REPORT FOR THE  
FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019**

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Changes	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Changes
Revenue	18,413	17,313	6%	62,204	69,504	(11%)
Cost of sales	(10,353)	(9,629)		(37,979)	(40,089)	
Gross profit	<u>8,060</u>	<u>7,684</u>	5%	<u>24,225</u>	<u>29,415</u>	(18%)
Other incomes	1,173	620		3,737	2,833	
Administrative expenses	(5,040)	(2,920)		(16,637)	(17,536)	
Profit from operations	<u>4,193</u>	<u>5,384</u>	(22%)	<u>11,325</u>	<u>14,712</u>	(23%)
Finance costs	(248)	(97)		(530)	(300)	
Profit before taxation	<u>3,945</u>	<u>5,287</u>	(25%)	<u>10,795</u>	<u>14,412</u>	(25%)
Taxation	(884)	(1,905)		(1,566)	(2,360)	
Profit for the financial period	<u><u>3,061</u></u>	<u><u>3,382</u></u>	(9%)	<u><u>9,229</u></u>	<u><u>12,052</u></u>	(23%)
Profit for the financial period attributable to:						
- Owners of the parent	3,033	3,020	1%	9,062	11,998	(24%)
- Non-controlling interests	<u>28</u>	<u>362</u>		<u>167</u>	<u>54</u>	
	<u><u>3,061</u></u>	<u><u>3,382</u></u>		<u><u>9,229</u></u>	<u><u>12,052</u></u>	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.353	0.363		1.054	1.467	
- Diluted	0.303	0.310		0.904	1.249	

**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 DECEMBER 2019**

	<b>Unaudited As at 31 Dec 2019 RM'000</b>	<b>Audited As at 31 Dec 2018 RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	56,379	47,568
Intangible assets	6,756	5,841
Right-of-use assets	4,102	-
Development expenditures	43,673	35,578
	<u>110,910</u>	<u>88,987</u>
<b>CURRENT ASSETS</b>		
Biological assets	584	643
Inventories	9,823	9,028
Trade receivables	42,684	39,532
Other receivables	14,946	17,166
Tax recoverable	658	463
Other investments	11	11
Fixed deposits with licensed banks	9,682	18,591
Cash and bank balances	3,110	4,526
	<u>81,498</u>	<u>89,960</u>
<b>TOTAL ASSETS</b>	<b><u>192,408</u></b>	<b><u>178,947</u></b>
<b>EQUITY</b>		
Share capital	99,764	99,764
Reserves	66,476	57,857
<b>Equity attributable to owners of the parent</b>	<u>166,240</u>	<u>157,621</u>
Non-controlling interests	(136)	(303)
<b>TOTAL EQUITY</b>	<u>166,104</u>	<u>157,318</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	4,331	-
Finance lease liabilities	477	416
Bank borrowings	4,346	4,810
Deferred tax liabilities	7,861	6,481
	<u>17,015</u>	<u>11,707</u>

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

	<b>Unaudited As at 31 Dec 2019 RM'000</b>	<b>Audited As at 31 Dec 2018 RM'000</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	4,393	5,031
Other payables	3,101	3,844
Lease liabilities	274	-
Finance lease liabilities	134	158
Bank borrowings	1,088	766
Tax payable	299	123
	9,289	9,922
<b>TOTAL LIABILITIES</b>	26,304	21,629
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>192,408</b>	<b>178,947</b>
<b>NET ASSETS PER SHARE (sen)</b>	19.31 <sup>(1)</sup>	19.20 <sup>(2)</sup>

*Notes:*

(1) Based on 860,070,648 ordinary shares in BHB as at 31 December 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 FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019

	Non-Distributable					Audited		Distributable			Total Equity RM'000
	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		
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)	
<b>Total comprehensive income</b>	-	-	-	-	(137)	-	11,586	11,449	17	11,466	
<b>Transaction with owners</b>											
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	-	
<b>Total transactions with owners</b>	12,310	-	(131)	-	-	-	(1,374)	10,805	483	11,288	
<b>Balance as at 31 December 2018</b>	<b>99,764</b>	<b>16,853</b>	<b>837</b>	<b>(4,969)</b>	<b>(138)</b>	<b>(16,853)</b>	<b>62,127</b>	<b>157,621</b>	<b>(303)</b>	<b>157,318</b>	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

	Unaudited							Distributable		Non-Controlling Interests	Total Equity
	----- Non-Distributable ----->							Retained Earnings	Total		
	Share Capital	Warrant Reserve	Treasury Stock Units	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
Opening balance adjustment from adoption of MFRS 16	-	-	-	-	-	-	-	(285)	(285)	-	(285)
Balance as at 1 January 2019 (restated)	-	-	-	-	-	-	-	61,842	157,336	-	(157,033)
Profit for the financial period	-	-	-	-	-	-	-	9,229	9,229	-	9,229
Foreign currency translation reserves	-	-	-	-	-	(13)	-	-	(13)	-	(13)
<b>Total comprehensive income</b>	-	-	-	-	-	(13)	-	9,229	9,216	-	9,216
<b>Transaction with owners</b>											
Non-controlling interests arising from additional subscription of share in a subsidiary company	-	-	-	-	-	-	-	(167)	(167)	167	-
Purchase of treasury stock units	-	-	(144)	-	-	-	-	-	(144)	-	(144)
<b>Total transactions with owners</b>	-	-	(144)	-	-	-	-	(167)	(311)	167	-
<b>Balance as at 30 September 2019</b>	<b>99,764</b>	<b>16,853</b>	<b>(144)</b>	<b>837</b>	<b>(4,969)</b>	<b>(151)</b>	<b>(16,853)</b>	<b>70,903</b>	<b>166,240</b>	<b>(136)</b>	<b>166,104</b>

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 FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019**

	<b>Unaudited Current Period to date 31 Dec 2019 RM'000</b>	<b>Unaudited Preceding Corresponding Period to date 31 Dec 2018 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,795	14,412
<b>Adjustments for:</b>		
Amortisation of development expenditures	3,706	3,567
Amortisation of deferred capital grant	(368)	(428)
Amortisation of biological assets	312	26
Amortisation of patent	12	-
Amortisation of right-of-use assets	1,019	-
Depreciation of property, plant and equipment	6,597	5,426
Fair value gain on biological assets	-	(39)
Gain on disposal of property, plant and equipment	-	(39)
Grant income	(1,707)	(428)
Impairment losses on trade receivables	(86)	89
Interest expense	529	296
Interest income	(484)	(569)
Property, plant and equipment written off	78	226
Rental income	(32)	-
Reversal of impairment losses on trade receivables	(19)	(36)
Unrealised (gain) / loss on foreign exchange	(53)	399
Operating profit before working capital changes	20,299	22,902
Changes in working capital:		
Biological assets	(903)	(160)
Inventories	(795)	(1,577)
Trade receivables	(3,047)	(6,088)
Other receivables	2,221	(422)
Trade payables	(378)	548
Other payables	(386)	873
Cash generated from operations	17,011	16,076

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

	Unaudited Current Period to date 31 Dec 2019 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)</b>		
Grant received	1,707	428
Interest paid	(364)	(296)
Interest received	484	569
Rental received	32	-
Tax refund	556	121
Tax paid	(743)	(503)
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>18,683</b>	<b>16,395</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition in research and development expenditures	(10,855)	(8,612)
Purchase of intangible assets	(927)	(750)
Purchase of property, plant and equipment	(15,463)	(13,712)
Purchase of treasury stock units	(144)	-
Proceeds from disposal of property, plant and equipment	23	277
Deposits paid for purchase of property, plant and equipment	-	(5,372)
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(27,366)</b>	<b>(28,169)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	-	(1,700)
Decreased / (increased) in fixed deposit pledged and maturity more than 3 months	11,475	(7,319)
Drawdown of banker's acceptance	260	344
Proceeds from issue of share capital	-	12,180
Payment of lease liabilities	(1,219)	-
Repayment of finance lease liabilities	(180)	(342)
Repayment of term loans	(662)	(708)
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>9,674</b>	<b>2,455</b>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

	<b>Unaudited Current Period to date 31 Dec 2019 RM'000</b>	<b>Unaudited Preceding Corresponding Period to date 31 Dec 2018 RM'000</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	991	(9,319)
<b>EFFECT OF EXCHANGE TRANSLATION DIFFERENCES</b>	160	(454)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	6,085	16,812
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	7,236	7,039
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:</b>		
Cash and bank balances	3,110	4,670
Fixed deposits with licensed banks	9,682	18,591
	12,792	23,261
Less: Fixed deposits pledged with licensed banks	(1,056)	(1,022)
Less: Fixed deposits maturity more than 3 months	(4,500)	(15,200)
	7,236	7,039

*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 FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 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, paragraph 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 the FYE 31 December 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the FYE 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 FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 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:

	<b>Impact of adoption of MFRS 16 to opening balance at 1 January 2019</b>
	<b>RM'000</b>
Closing balance at 31 December 2018	-
- Recognition of operating lease liabilities under MFRS 16	285
Opening balance at 1 January 2019	<u>285</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 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 sales typically peak in the third (3<sup>rd</sup>) and fourth (4<sup>th</sup>) 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.

**A7. Segmental information**

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

	Current quarter ended		Period-to-date	
	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000
Malaysia	8,883	8,084	34,875	44,308
Indonesia	3,518	2,749	10,924	13,546
China	6,012	6,480	16,405	11,650
<b>Total</b>	<b>18,413</b>	<b>17,313</b>	<b>62,204</b>	<b>69,504</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

A7. Segmental information (cont'd)

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

	Current quarter ended		Period-to-date	
	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000
Manufacturing & sale of finished health supplement products	12,354	12,958	36,229	44,099
Retail pharmacies	6,060	4,355	25,975	25,405
<b>Total</b>	<b>18,413</b>	<b>17,313</b>	<b>62,204</b>	<b>69,504</b>

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 2019 RM'000	Audited Financial year-to- date 31 Dec 2018 RM'000
<b>Authorised and contracted for:</b>		
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 31 Dec 2019 RM'000	Audited Financial year-to- date 31 Dec 2018 RM'000
<b>Unsecured:</b>		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	500	200

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 (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**

**B1. Analysis of performance**

The Group's revenue for the current quarter increased RM1.10 million or 6.4% to RM18.41 million from RM17.31 million in the preceding year's corresponding quarter. Meanwhile, cumulative revenue for the financial year ended 31 December 2019 ("**FY2019**") stood at RM62.20 million as compared to RM69.50 million in the preceding corresponding FY2018, mainly due to lower contribution from the manufacturing of health supplement products segment. 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 and cumulative quarters amounted to RM12.35 million and RM36.23 million, respectively, as compared to RM12.96 million and RM44.10 million in the preceding corresponding period, representing a decline of RM0.61 million and RM7.87 million, respectively.

The lower turnover was mainly due to lower demand from Original Design Manufacturing ("ODM") clients in Malaysia and Indonesia, affected by the continued soft consumer sentiments during the period. FY2019 revenue also reflected the absence of stocking up activities during the 3-month tax-free period in 2018. Domestic manufacturing sales for the current quarter and cumulative quarters stood at RM2.82 million and RM8.90 million respectively, as compared to RM3.73 million and RM18.90 million in the preceding corresponding period.

Meanwhile, export sales of health products to China for FY2019 increased RM4.7 million or 40.8% to RM16.41 million as the Group fulfilled more orders from both existing and new customers. Turnover for the current quarter however, was marginally lower at RM6.0 million against RM6.5 million in the preceding corresponding quarter.

(ii) Retail pharmacies

The revenue generated from this segment for the current quarter and cumulative quarters increased to RM6.06 million and RM25.98 million, respectively, as compared to RM4.36 million and RM25.41 million in the preceding corresponding FPE 31 December 2018. This was mainly due to additional promotional events at selected strategic locations carried out during the year, as well as maiden contribution from the recently opened outlets.

Gross profit margin decreased to 39.30% in FY2019 in comparison to 42.32% in the preceding year. The decline corresponded with the lower revenue base and higher depreciation as well as manufacturing overheads incurred, following the recent upgrading of machineries in the plant.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

**B1. Analysis of performance (cont'd)**

Net profit attributable to the owners of the parent for the current quarter and cumulative quarters was RM3.04 million and RM9.07 million, respectively. By comparison, the Group recorded a net profit of RM3.02 million in the preceding year's corresponding quarter and RM12.00 million for FY2018.

**Comparison with immediate preceding quarter's results**

The revenue for the fourth (4<sup>th</sup>) quarter ended 31 December 2019 increased by RM1.13 million or 6.54% to RM18.41 million from RM17.28 million in the third (3rd) quarter ended 30 September 2019 due to increase in orders received by the Group during the quarter, in line with the seasonality effect the Group is subjected to.

**B2. Prospects for the financial year ending 31 December 2020**

The Group expects the operating environment to remain challenging for both local and overseas markets, in line with the prevailing cautious consumer spending, with uncertainties arising from geopolitical tensions and coronavirus ("**Covid-19**") outbreak. Against this backdrop, the Group remains focused on strengthening the manufacturing of health supplement products and retail pharmacy businesses while keeping cost in check.

For the domestic manufacturing business, the Group continues its efforts to secure new Original Design Manufacturing ("ODM") customers, while servicing our existing ones. We expect the local ODM market to pick up going into FY2020.

Nonetheless, in the short term, concerns still remain following the unexpected Covid-19 outbreak. We have since experienced a surge in sales at our Constant pharmacy outlets for hygiene-related items such as surgical masks and sanitizers, as well as our immunity-related health supplement products. However, the overall impact of the situation can only be assessed in the coming months. We are monitoring the outbreak closely and are taking proactive steps to manage any situation arising from it.

As for our export business, in view of the current developments and Covid-19 outbreak, the Group expects export sales to pick up in the second half of the year. Specifically in China, the Group continues to work closely with distributors and partners there. Progress in Indonesia, on the other hand, had been muted in FY2019 due to slower-than-expected regulatory approvals for the health supplement products. The Group foresees revenue from Indonesia to pick up once more approvals are secured in FY2020.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

**B2. Prospects for the financial year ending 31 December 2020 (cont'd)**

On the retail pharmacy business, Bioalpha has opened two new Constant outlets within the compound of the premium supermarket chain, Village Grocer, in Central i-City Mall in Shah Alam and in Mid Valley Southkey Mall, Johor Bahru respectively. Bioalpha plans to establish more of such outlets in the near future, after carrying out detailed analysis of the surrounding demographics.

The agriculture division continues to make progress with land clearing and planting activities taking place at Pasir Raja Herbal Park, Dungun, Terengganu and Desaru Herbal Park, Johor. The Group expects higher harvest tonnage of raw fresh herbs in 2020.

On balance, in view of the Covid-19 outbreak, the Group could face certain challenges in the coming financial year ending 31 December 2020.

**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**"), Chinese Renminbi ("**CNY**") 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	6	212	315	372
- (Over) / under provision in previous year	-	(9)	(146)	286
	<u>6</u>	<u>203</u>	<u>169</u>	<u>658</u>
Deferred tax:				
- Origination and reversal of temporary differences	878	1,714	1,397	1,714
- Over provision in prior year	-	(12)	-	(12)
	<u>878</u>	<u>1,702</u>	<u>1,397</u>	<u>1,702</u>
	<u>884</u>	<u>1,905</u>	<u>1,566</u>	<u>2,360</u>
Effective tax rate (%)	22.41	36.03	14.51	16.38

Bioalpha East Coast Agro Sdn Bhd (“**BECASB**”), another wholly-owned subsidiary of the Group, was awarded tax incentive 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.

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 ended 30 June 2018 and 20% concessionary tax rate on statutory income (10) years, upon expiry of the tax exemption period. BRDSB had on 28 November 2017 submitted an application to Malaysian Bioeconomy Development Corporation Sdn Bhd (“**Bioeconomy Corp**”) for the concessionary tax rate of 20% on statutory income for 10 years. The application is currently under review by Bioeconomy Corp, subject to the Ministry of Finance’s decision on the concessionary tax rate for BioNexus-status companies.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

**B5. Taxation (cont'd)**

Bioalpha (Johor Herbal) Sdn Bhd (“**BJHSB**”), another subsidiary of the Group, was awarded an incentive by Ministry of Agriculture and Agro-Based Industry Malaysia, which allows BJHSB to enjoy 100% tax exemption on income for a period of ten (10) years commencing from 1 January 2018.

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**

There is no corporate proposal announced but not completed as at the date of this report.

**B7. Trade receivables**

	<b>Unaudited 31 Dec 2019 RM'000</b>
Trade receivables	43,188
Less: Accumulated impairment losses	(504)
	<u>42,684</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 2019 are as follows:

	<b>Short term RM'000</b>	<b>Long term RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Finance leases	134	477	611
Term loans	1,088	4,346	5,434
<b>Total bank borrowings</b>	<u>1,222</u>	<u>4,823</u>	<u>6,045</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

**B8. Borrowings (cont'd)**

	<b>Unaudited 31 Dec 2019 RM'000</b>	<b>Audited 31 Dec 2018 RM'000</b>
Total bank borrowings	6,045	6,150
Less: Deposit, bank and cash balances	(12,792)	(23,117)
	<u>(6,747)</u>	<u>(16,967)</u>
Total equity	166,240	157,621
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and finance leases are 4.57% p.a. and 2.58% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

\* Gearing ratio not applicable for financial period ended 31 December 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.

**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 December 2019 (*FPE 31 December 2018: RM891,000*).

**B11. Earnings per share**

The basic earnings per share is calculated as follows:

	<b>Current quarter ended</b>		<b>Financial period-to-date</b>	
	<b>Unaudited 31 Dec 2019 RM'000</b>	<b>Unaudited 31 Dec 2018 RM'000</b>	<b>Unaudited 31 Dec 2019 RM'000</b>	<b>Unaudited 31 Dec 2018 RM'000</b>
Net profit attributable to owners of the parent	3,033	3,020	9,062	11,998
Weighted average number of ordinary shares in issue ('000)	860,071	832,187	860,174	818,055
Basic earnings per share (sen)	<u>0.353</u>	<u>0.363</u>	<u>1.054</u>	<u>1.467</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (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 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000
Net profit attributable to owners of the parent	3,033	3,020	9,062	11,998
Weighted average number of ordinary shares in issue ('000)	1,002,704	974,820	1,002,807	960,688
Diluted earnings per share (sen)	0.302	0.310	0.904	1.249

**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 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000
Bad debts written off	-	12	-	12
Depreciation and amortisation expenses	3,489	2,499	11,279	9,019
Foreign exchange (gain) / loss				
- Realised	3	(60)	10	449
- Unrealised	(25)	(17)	(53)	400
Fair value loss / (gain)				
- Biological assets	-	42	-	(39)
- Plantation expenditure	-	173	-	(140)
Loss / (gain) on disposal of property, plant and equipment	-	15	-	(39)
Grant expenses	1,707	-	1,707	21
Grant income	(1,707)	91	(1,707)	(428)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4<sup>th</sup>) QUARTER ENDED 31 DECEMBER 2019 (CONT'D)

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

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000	Unaudited 31 Dec 2019 RM'000	Unaudited 31 Dec 2018 RM'000
Impairment losses on trade receivables	21	89	(86)	89
Interest expenses	248	96	529	296
Interest income	(88)	(169)	(484)	(569)
Property, plant and equipment written off	68	(125)	78	226
Rental income	(7)	23	(32)	(48)
Reversal of impairment losses on trade receivables	(19)	(32)	(19)	(36)

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 28 February 2020.

By Order of the Board,

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

Kuala Lumpur

Dated: 28 February 2020