



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

**INTERIM FINANCIAL REPORT FOR THE  
SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020**

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Changes	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Changes
Revenue	6,392	14,033	(54%)	12,924	26,515	(51%)
Cost of sales	(7,653)	(8,888)		(15,302)	(17,307)	
Gross (loss) / profit	<u>(1,261)</u>	<u>5,145</u>	(100%)	<u>(2,378)</u>	<u>9,208</u>	(100%)
Other incomes	760	1,201		847	1,999	
Administrative expenses	(7,600)	(4,191)		(11,707)	(7,722)	
(Loss) / profit from operations	<u>(8,101)</u>	<u>2,155</u>	(100%)	<u>(13,238)</u>	<u>3,485</u>	(100%)
Finance costs	(98)	(120)		(265)	(184)	
(Loss) / profit before taxation	<u>(8,199)</u>	<u>2,035</u>	(100%)	<u>(13,503)</u>	<u>3,301</u>	(100%)
Taxation	(465)	(7)		(849)	(329)	
(Loss) / profit for the financial period	<u><u>(8,664)</u></u>	<u><u>2,028</u></u>	(100%)	<u><u>(14,352)</u></u>	<u><u>2,972</u></u>	(100%)
(Loss) / profit for the financial period attributable to:						
- Owners of the parent	(7,932)	2,034	(100%)	(13,434)	2,892	(100%)
- Non-controlling interests	<u>(732)</u>	<u>(6)</u>		<u>(918)</u>	<u>80</u>	
	<u><u>(8,664)</u></u>	<u><u>2,028</u></u>		<u><u>(14,352)</u></u>	<u><u>2,972</u></u>	
Earnings per share attributable to owners of the parent (sen):						
- Basic	(0.866)	0.236		(1.513)	0.336	
- Diluted	(0.740)	0.203		(1.287)	0.288	

**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 2019 and the accompanying explanatory notes attached to this interim financial report.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Unaudited As at 30 Jun 2020 RM'000	Audited As at 31 Dec 2019 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	48,836	48,642
Intangible assets	49,314	44,539
Right-of-use assets	12,385	13,377
Goodwill on consolidation	5,891	5,891
	<u>116,426</u>	<u>112,449</u>
<b>CURRENT ASSETS</b>		
Biological assets	626	582
Inventories	15,284	10,137
Trade receivables	28,146	44,630
Other receivables	13,163	13,159
Tax recoverable	390	352
Other investments	12	11
Fixed deposits with licensed banks	12,081	9,682
Cash and bank balances	2,949	2,853
	<u>72,651</u>	<u>81,406</u>
<b>TOTAL ASSETS</b>	<b>189,077</b>	<b>193,855</b>
<b>EQUITY</b>		
Share capital	109,550	99,764
Reserves	52,070	65,783
<b>Equity attributable to owners of the parent</b>	<u>161,620</u>	<u>165,547</u>
Non-controlling interests	(1,201)	(283)
<b>TOTAL EQUITY</b>	<u>160,419</u>	<u>165,264</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	1,989	5,177
Bank borrowings	4,081	4,168
Deferred tax liabilities	8,890	8,108
	<u>14,960</u>	<u>17,471</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020  
(CONT'D)**

	<b>Unaudited As at 30 Jun 2020 RM'000</b>	<b>Audited As at 31 Dec 2019 RM'000</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	2,772	4,218
Other payables	3,618	3,884
Lease liabilities	3,887	1,356
Bank borrowings	3,132	1,281
Tax payable	289	381
	13,698	11,120
<b>TOTAL LIABILITIES</b>	28,658	28,591
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>189,077</b>	<b>193,855</b>
<b>NET ASSETS PER SHARE (sen)</b>	16.94 <sup>(1)</sup>	19.22 <sup>(2)</sup>

*Notes:*

(1) Based on 946,859,032 ordinary shares in BHB as at 30 June 2020.

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

*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 2019 and the accompanying explanatory notes attached to this interim financial report.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020

	Audited							Distributable			
	<----- Non-Distributable ----->										
	Share Capital	Treasury Shares	Warrant Reserve	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	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	-	-	-	-	-	-	-	(329)	(329)	-	(329)
Balance as at 1 January 2019 (restated)	99,764	-	16,853	837	(4,969)	(138)	(16,853)	61,798	157,292	(303)	156,989
Profit for the financial period	-	-	-	-	-	-	-	8,316	8,316	9	8,325
Foreign currency translation reserves	-	-	-	-	-	85	-	-	85	11	96
<b>Total comprehensive income</b>	-	-	-	-	-	85	-	8,316	8,401	20	8,421
<b>Transactions with owners</b>											
Shares repurchased	-	(146)	-	-	-	-	-	-	(146)	-	(146)
<b>Balance as at 31 December 2019</b>	<b>99,764</b>	<b>(146)</b>	<b>16,853</b>	<b>837</b>	<b>(4,969)</b>	<b>(53)</b>	<b>(16,853)</b>	<b>70,114</b>	<b>165,547</b>	<b>(283)</b>	<b>165,264</b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

	Unaudited							Distributable		Non-Controlling Interests	Total Equity
	Non-Distributable							Retained Earnings	Total		
	Share Capital	Treasury Shares	Warrant Reserve	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 2020	99,764	(146)	16,853	837	(4,969)	(53)	(16,853)	70,114	165,547	(283)	165,264
Loss for the financial period	-	-	-	-	-	-	-	(13,434)	(13,434)	(918)	(14,352)
Foreign currency translation reserves	-	-	-	-	-	123	-	-	123	-	123
<b>Total comprehensive loss</b>	-	-	-	-	-	123	-	(13,434)	(13,311)	(918)	(14,229)
<b>Transactions with owners</b>											
Exercises of SIS	9,786	-	-	(688)	-	-	-	-	9,098	-	9,098
Share options granted under SIS	-	-	-	794	-	-	-	-	794	-	794
Shares repurchased	-	(508)	-	-	-	-	-	-	(508)	-	(508)
	-	(508)	-	106	-	-	-	-	9,384	-	9,384
<b>Balance as at 30 June 2020</b>	<b>109,550</b>	<b>(654)</b>	<b>16,853</b>	<b>943</b>	<b>(4,969)</b>	<b>70</b>	<b>(16,853)</b>	<b>56,680</b>	<b>161,620</b>	<b>(1,201)</b>	<b>160,419</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 2019 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020**

	<b>Unaudited Current Period to date 30 Jun 2020 RM'000</b>	<b>Unaudited Preceding Corresponding Period to date 30 Jun 2019 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(13,503)	3,301
<b>Adjustments for:</b>		
Amortisation of intangible assets	2,050	1,942
Amortisation of deferred capital grant	(184)	-
Amortisation of biological assets	79	88
Amortisation of right-of-use assets	743	-
Depreciation of property, plant and equipment	3,689	3,217
Impairment losses on trade receivables	1,979	-
Interest expense	265	184
Interest income	(143)	(338)
Loss on disposal of property, plant and equipment	9	-
Property, plant and equipment written off	47	10
Rental income	(8)	(19)
Reversal of impairment losses on trade receivables	-	(93)
Share-based payment	794	-
Unrealised gain on foreign exchange	(166)	(26)
Operating (loss) / profit before working capital changes	(4,349)	8,266
Changes in working capital:		
Biological assets	(44)	(31)
Inventories	(5,148)	(1,781)
Trade receivables	14,505	3,084
Other receivables	(4)	(3,527)
Trade payables	(1,445)	(1,529)
Other payables	(85)	870
Cash generated from operations	3,430	5,352

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

	<b>Unaudited Current Period to date 30 Jun 2020 RM'000</b>	<b>Unaudited Preceding Corresponding Period to date 30 Jun 2019 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)</b>		
Interest paid	(161)	(184)
Interest received	143	338
Rental received	8	19
Tax refund	13	245
Tax paid	(208)	(224)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>3,225</b>	<b>5,546</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition in intangible assets	(6,378)	(5,966)
Purchase of property, plant and equipment	(4,361)	(7,375)
Proceeds from disposal of property, plant and equipment	4	23
Deposits paid for purchase of property, plant and equipment	-	(348)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(10,735)</b>	<b>(13,666)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decreased in fixed deposit pledged and maturity more than 3 months	(3)	10,808
Net change of bankers' acceptance	2,010	146
Proceeds from issue of share capital	9,098	-
Purchase of treasury shares	(508)	-
Repayment of lease liabilities	(574)	-
Repayment of finance lease liabilities	-	(81)
Repayment of term loans	(265)	(640)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>9,758</b>	<b>10,233</b>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

	<b>Unaudited Current Period to date 30 Jun 2020 RM'000</b>	<b>Unaudited Preceding Corresponding Period to date 30 Jun 2019 RM'000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	2,248	2,113
<b>EFFECT OF EXCHANGE TRANSLATION</b>		
<b>DIFFERENCES</b>	232	21
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	7,969	6,086
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	10,449	8,220
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:</b>		
Cash and bank balances	2,949	1,558
Fixed deposits with licensed banks	12,081	12,885
	15,030	14,443
Less: Fixed deposits pledged with licensed banks	(1,081)	(1,016)
Less: Fixed deposits maturity more than 3 months	(3,500)	(5,207)
	10,449	8,220

*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 2019 and the accompanying explanatory notes attached to this interim financial report.*

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020**

**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 2019 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 2019 except as disclosed below:

As of 1 January 2020, 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 2020:**

Amendments to References to the Conceptual Framework in MFRS Standards  
Amendments to MFRS 3: Business Combinations (Definition of a Business)  
Amendments to MFRS 7: Financial Instruments – Disclosure (Interest Rate Benchmark Reform)  
Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)  
Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)  
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)  
Amendments to MFRS 139: Financial Instruments – Recognition and Measurement (Interest Rate Benchmark Reform)

The adoption of the above pronouncement has no material financial impact to the Group.

**Standards issued but not yet effective:**

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standard Board (“MASB”) where the effective has been deferred to a date to be determined by MASB and have not been applied by the Group:

Amendments to MFRS 10: Consolidated Financial Statements (Sale or Contribution of Assets between Investor and its Associate or Joint Venture)  
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Sale or Contribution of Assets between Investor and its Associate or Joint Venture)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (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 2019.

**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**

During the financial period-to-date, the Company increased its issued and paid up share capital (excluding share premium) from 860,209,032 as at 31 December 2019 to 946,859,032 as at 30 June 2020 by way of issuance of 86,650,000 new ordinary shares pursuant to the exercise of the Employees' Share Option Scheme.

As at 30 June 2020, the total number of treasury shares held by the Company was 3,761,800 ordinary shares.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

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 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000
Malaysia	5,912	8,400	12,257	16,435
Indonesia	259	3,069	446	5,611
China	221	2,564	221	4,469
<b>Total</b>	<b>6,392</b>	<b>14,033</b>	<b>12,924</b>	<b>26,515</b>

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

	Current quarter ended		Period-to-date	
	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000
Manufacturing & sale of finished health supplement products	1,667	7,332	3,695	13,859
Retail pharmacies	4,725	6,701	9,229	12,656
<b>Total</b>	<b>6,392</b>	<b>14,033</b>	<b>12,924</b>	<b>26,515</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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

A9. Capital commitments

	Unaudited Current quarter ended 30 Jun 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 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.

A11. Contingent liabilities

	Unaudited Current quarter ended 30 Jun 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 RM'000
<b>Unsecured:</b>		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	-	500

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 SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

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

**B1. Analysis of performance**

The Group's current quarter revenue dropped RM7.64 million or 54.45% to RM6.39 million as compared to RM14.03 million in the preceding year corresponding quarter. The soft performance was on the back of decline in contribution from both the manufacturing of health supplement products and retail pharmacy segments due to impact from the Novel Coronavirus ("COVID-19") and the resultant strict containment measures imposed by authorities across the markets we operate in, including Malaysia.

The Malaysian government had enforced the Movement Control Order ("MCO") from 18 March 2020 in an effort to curb the spread of virus. The Group was considered an operator under the essential industries and was therefore permitted to continue operating during the MCO, albeit with only 50% workforce along with adoption of stringent safety measures to safeguard the wellbeing of employees. Operations normalized from 28 April 2020 onwards with proper standard operating procedure ("SOP") in place, as per the Ministry of International Trade and Industry ("MITI")'s directive. Nevertheless, business activities especially on the manufacturing side remained lacklustre.

Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing and sale of finished health supplement products

Revenue generated from this segment for current quarter was RM1.67 million as compared to RM7.33 million in the preceding corresponding quarter 30 June 2019, representing a decline of RM5.66 million.

The lower turnover was mainly due to weak demand from overseas. Nonetheless, the Group's export sales to China were slowly resuming following the implementation of the Conditional MCO which took effect from 4 May 2020. Demand from Indonesia, meanwhile, remained soft as consumer sentiment weakened. As such, the Group focused on fulfilling local orders from the Original Design Manufacturing ("ODM") clients, where sales for current quarter stood at RM1.19 million as compared to RM1.70 million in the preceding year corresponding quarter.

(ii) Retail pharmacies

Revenue generated from this segment for current quarter amounted to RM4.73 million as compared to RM6.70 million in the preceding corresponding quarter 30 June 2019. This was mainly due to much lower sales of house brand health supplement products at designated tourist destination spots which had been closed since January 2020 in the wake of the drop in Chinese tourist numbers due to international travel restrictions.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

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

Further analyses of the performance of the Group's operating segments are as follows: (cont'd)

(ii) Retail pharmacies (cont'd)

On the other hand, foot traffic at retail pharmacy outlets increased during the quarter under review with higher sales of masks, gloves and sanitizing products, as well as immunity-boosting health supplements.

During the quarter under review, the Group also incurred approximately RM0.8 million share-based payment expenses and impairment of trade receivables amounting to about RM1.9 million. Consequently, net loss attributable to the owners of the parent for current quarter was RM7.93 million. By comparison, the Group recorded a net profit of RM2.03 million in the preceding year's corresponding quarter.

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

The revenue for the second (2<sup>nd</sup>) quarter ended 30 June 2020 decreased by RM0.14 million or 2.14% to RM6.39 million from RM6.53 million in the first (1<sup>st</sup>) quarter ended 31 March 2020, due to the adverse impact brought about by the that was further exacerbated by the COVID-19 pandemic and the resultant MCO.

The Group's business activities are subject to seasonal trends where the first (1<sup>st</sup>) 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 pick up in the third (3<sup>rd</sup>) and fourth (4<sup>th</sup>) quarter of the calendar year with increased purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

**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 against the backdrop of uncertainties arising from the COVID-19 pandemic.

We continue to monitor the evolving operating landscape closely, and has embarked on various measures to mitigate the adverse impact of COVID-19 on our business, including adopting stricter cost control measures, improving asset utilisation and aligning the Group's cost structure with current production levels. Amongst the initiatives implemented include directors and key management personnel taking a 15% pay cut and reduction in overheads where feasible.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)**

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

As we move forward, the Group remains focused on conserving cash while strengthening our business segments. For the domestic manufacturing business, the Group continues its efforts to build a solid product pipeline, especially on immunity-related offerings, to cater to the demands of our existing ODM clients, while securing new customers. At the same time, Bioalpha aims to fill the existing supply shortage of imported health supplements products in Malaysia due to trade disruptions arising from the lockdown measures.

As for our export business, in view of the current development, the Group anticipates export sales to gradually recover in the last quarter of 2020, following trade activities normalization and gradual easing of government containment measures. Specifically in China, the Group continues to work closely with distributors and partners there. Meanwhile, the newly-secured contract to supply health food and nutritional meals to the public and private sectors in China is expected to accelerate the Group's growth there, opening a new income stream and market segment. Progress in Indonesia, on the other hand, had been muted due to slower-than-expected regulatory approvals for the health supplement products. The Group foresees revenue from Indonesia to pick up as and when more approvals are secured moving forward.

Overall, we expect our manufacturing business to pick up in the second (2<sup>nd</sup>) half of 2020, in tandem with the increase in healthcare awareness and year-end promotional campaigns.

On the retail pharmacy business, our efforts are channelled on improving customer services at the Constant outlets, while intensifying the Group's promotional and marketing initiatives. We believe the increased foot traffic would sustain as people prefer to visit community pharmacies such as Constant instead of those at the malls to avoid crowd in the present pandemic situation. We are also working towards enhancing our online presence to increase customer reach, leveraging on the greater adoption of e-commerce amongst consumers due to COVID-19 pandemic.

On balance, in view of the COVID-19 outbreak, the Group faces various challenges in the coming financial year ending 31 December 2020, and overall results performance would be lower than the previous year. Nevertheless, we are confident of navigating through these headwinds, supported by our ongoing initiatives, solid financial position and extensive experience of 15 years in the health supplement industry.

**B3. Profit forecast or profit guarantee**

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

**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.

**B5. Taxation**

	Current quarter ended		Financial period-to-date	
	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	45	65	45	299
- Over provision in prior period	-	(146)	-	(146)
	<u>45</u>	<u>(81)</u>	<u>45</u>	<u>153</u>
Deferred tax:				
- Origination and reversal of temporary differences	420	88	804	176
	<u>420</u>	<u>88</u>	<u>804</u>	<u>176</u>
	<u>465</u>	<u>7</u>	<u>849</u>	<u>329</u>
Effective tax rate (%)	-	3.19	-	9.06

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 SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (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**

The status of corporate proposal announced but not completed as at the date of this report are as follow:

On 29 June 2020, 6 July 2020 and 7 July 2020, the Company has announced that the Board has fixed the issue price for its first tranche, second tranche and third tranche with a total of 94,309,700 Placement Shares at RM0.105 each (“**Issue Price**”). The placement has been completed.

**B7. Trade receivables**

	<b>Unaudited 30 Jun 2020 RM'000</b>
Trade receivables	30,807
Less: Accumulated impairment losses	<u>(2,661)</u>
	<u>28,146</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 30 Jun 2020 are as follows:

	<b>Short term RM'000</b>	<b>Long term RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Term loans	492	4,081	4,573
<b>Unsecured</b>			
Bankers’ acceptance	<u>2,640</u>	-	<u>2,640</u>
<b>Total bank borrowings</b>	<u>3,132</u>	<u>4,081</u>	<u>7,213</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (CONT'D)

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

The Group's borrowings as at 30 Jun 2020 are as follows: (cont'd)

	<b>Unaudited 30 Jun 2020 RM'000</b>	<b>Audited 31 Dec 2019 RM'000</b>
Total bank borrowings	7,213	5,467
Less: Deposit, bank and cash balances	(15,030)	(12,535)
	<u>(7,817)</u>	<u>(7,068)</u>
Total equity	161,620	165,547
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 4.97% p.a. and 1.16% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

\* Gearing ratio not applicable for financial period ended 30 June 2020 and financial year ended 31 December 2019 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 financial period ended ("**FPE**") 30 June 2020 (*FPE 30 June 2019: Nil*).

**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 30 Jun 2020 RM'000</b>	<b>Unaudited 30 Jun 2019 RM'000</b>	<b>Unaudited 30 Jun 2020 RM'000</b>	<b>Unaudited 30 Jun 2019 RM'000</b>
Net (loss) / profit attributable to owners of the parent	(7,932)	2,034	(13,434)	2,892
Weighted average number of ordinary shares in issue ('000)	916,016	860,209	888,113	860,209
Basic earnings per share (sen)	<u>(0.866)</u>	<u>0.236</u>	<u>(1.513)</u>	<u>0.336</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (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 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000
Net (loss) / profit attributable to owners of the parent	(7,932)	2,034	(13,434)	2,892
Weighted average number of ordinary shares in issue ('000)	1,071,999	1,002,842	1,044,096	1,002,842
Diluted earnings per share (sen)	(0.740)	0.203	(1.287)	0.288

**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 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000
Depreciation and amortisation expenses	3,275	2,686	6,377	5,247
Loss on disposal of property, plant and equipment	9	-	9	-
(Gain) / loss on foreign exchange				
- Realised	58	-	58	-
- Unrealised	(365)	385	(166)	(26)
Impairment losses on trade receivables	1,979	2	1,979	-
Interest expenses	98	120	265	184
Interest income	(72)	(217)	(143)	(338)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2<sup>nd</sup>) QUARTER ENDED 30 JUNE 2020 (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 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000	Unaudited 30 Jun 2020 RM'000	Unaudited 30 Jun 2019 RM'000
Property, plant and equipment written off	47	-	47	-
Rental income	(4)	(10)	(8)	(19)
Reversal of impairment losses on trade receivables	-	-	-	(93)

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 August 2020.

By Order of the Board,

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

Kuala Lumpur

Dated: 28 August 2020