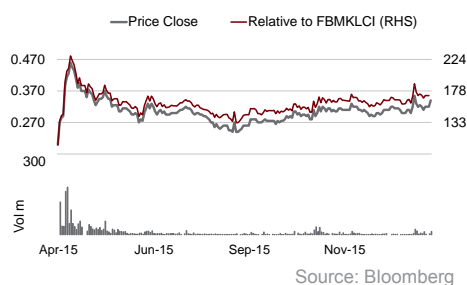


Company Note | Alpha series
I Malaysia
ADD

Current price:	RM0.34
Target price:	RM0.65
Previous target:	N/A
Up/downside:	91.2%
Reuters:	BIOA.KL
Bloomberg:	BIOA MK
Market cap:	US\$38.19m
	RM164.0m
Average daily turnover:	US\$0.36m
	RM1.61m
Current shares o/s	482.3m
Free float:	48.0%

Key changes in this note
► N/A


Price performance	1M	3M	12M
Absolute (%)	9.7	21.4	
Relative (%)	11.9	25.6	

Analyst(s)

Nigel Foo

T (60) 3 2261 9069
E nigel.foo@cimb.com

Bioalpha Holdings

Roaring mushrooms

- BioA is an integrated herbal supplements producer. Its strengths lie in its in-house liquid fermentation process, has just started to market the tiger milk mushroom.
- The JV with MyAngkasa holds great potential, with plans to open new retail and pharmacy outlets nationwide.
- Indirect China and Middle East play. China could be one of the largest revenue contributors this year. Targets to start selling to the Middle East market by mid-2016.
- We initiate with an Add recommendation. Our target price is based on a 20% premium to target market P/E valuation, also in-line with our consumer sector P/E.

Integrated herbal supplements producer

Bioalpha Holdings (BioA) is an integrated herbal supplements producer. About 60% of group revenue is from house brands and its best sellers include cordyceps sinensis, tongkat ali and collagen beauty products.

In-house liquid fermentation process

Wild mushrooms usually take about one year to grow, but BioA's liquid fermentation process for its medicinal mushrooms cuts this down to only five days. In 2014, the company started marketing medical mushroom lignosus rhinoceros, better known as the tiger milk mushroom.

Own organic herbal farm

BioA has 1,300 acres of land in Pasir Raja, Terengganu and Desaru, Johor for planting organic herbs. Planting has already started and has already started harvesting from both its farms. So far, 220 acres of land have been planted. The group's pretax profit margins should rise as it starts sourcing more of its herbs, which form the raw materials in its production process, from its own farms.

JV with MyAngkasa has great potential

We believe BioA's JV with MyAngkasa (Malaysia's largest co-op organisation) to set up retail and pharmacy outlets is long-term positive for the company, as this would provide BioA with the outlets and network to sell more of its house brands. MyAngkasa has 12,000 co-operatives and 8m members. This JV should kick off in a big way in 2016. We have not assumed any potential earnings from this project.

Indirect China play

China could be one of BioA's largest markets in 2016. Chinese consumers have only started buying BioA products from 2Q15 onwards, and sales momentum from this market continues to grow. In 9M15, China contributed just below 30% of BioA's sales.

Initiate with an Add recommendation

We initiate coverage with an Add recommendation. Our target price of RM0.65 is based on a 2017 19.8x P/E, which is a 20% premium to our target market P/E. The market premium is justified by the strong earnings growth outlook over the next few years. Our consumer sector (excluding BioA) is currently trading at a 2017 18.6x P/E. Potential catalysts for the stock include stronger-than-expected sales from China and further corporate developments from the MyAngkasa JV. BioA is a shariah compliant stock.

Financial Summary	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	24.60	27.10	28.00	46.88	61.44
Operating EBITDA (RMm)	7.80	5.40	9.50	17.25	21.80
Net Profit (RMm)	6.30	6.30	6.00	12.38	16.18
Core EPS (RM)	0.013	0.013	0.012	0.025	0.032
Core EPS Growth	0.0%	(0.0%)	(4.8%)	99.1%	30.7%
FD Core P/E (x)	25.01	26.03	27.33	13.49	10.51
DPS (RM)	-	0.000	0.004	0.008	0.010
Dividend Yield	0.00%	0.12%	1.18%	2.35%	2.94%
EV/EBITDA (x)	20.20	29.27	15.53	9.26	7.30
P/FCFE (x)	NA	NA	NA	NA	21.45
Net Gearing	(13.2%)	(10.9%)	(20.9%)	(11.8%)	(11.1%)
P/BV (x)	3.38	3.02	2.09	1.95	1.73
ROE		12.3%	9.0%	15.0%	17.5%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)					

SOURCE: COMPANY DATA, CIMB FORECASTS

Roaring mushrooms

Investment thesis

Integrated herbal supplements producer ➤

Bioalpha Holdings (BioAa) is an integrated herbal supplements producer. About 60% group revenue is currently from house brands with another 30% from original design manufacturers (ODM).

Tiger milk mushroom: the next product to watch out for ➤

The company has six medical mushrooms ready for commercial production. Its current top seller, *cordyceps sinensis* (CYS), a medical mushroom, has been marketed since 2008, and currently contributes 30-35% of group revenue. In 2015, BioA started promoting its second medical mushroom, the tiger milk mushroom (TMM), traditionally used to cure respiratory problems. TMM has high levels of betaglucan, which helps to boost the body's immune system. Former Prime Minister Tun Dr. Mahathir once said his chronic cough was cured by TMM.

Figure 1: Claimed medical benefits from consuming medical mushrooms

Product	Claimed benefits
Cordyceps sinensis	Cholesterol reduction, stimulates immune system and faster recovery from bronchitis and respiratory diseases
Tiger milk mushroom	High levels of betaglucan, boost body's immune system & prevent spread of cancer cells. Traditionally used to help improve respiratory problems
Maitake mushroom	May help attack cancer cells, reduce effects of chemotherapy, reduce insulin resistance, boost immune system, lower blood pressure and cholesterol
shiitake mushroom	Lentinan, a potent antifungal protein found to have cancer-preventing properties. Protective abilities on the liver and suppress inflammation
Cordyceps militaris	Used to support the immune system, act as an anti-viral agent, help control blood sugar and protect liver and kidney health
Lingzhi	Chinese calls it "mushroom of immortality". anti-cancer, hypoglycemic, lower blood pressure and immuno-modulating effects

SOURCES: CIMB, INTERNET

Liquid fermentation process is a strength ➤

Wild mushrooms usually take about one year to mature. BioA's in-house liquid fermentation process plant reduces this growth process to just five days. The company has another four mushrooms ready for commercialisation this year. There are the maitake mushroom, shiitake mushroom, lingzhi and *cordyceps militaris*.

Planting its own herbs ➤

With support from the Federal, Terengganu and Johor state governments, the company was allocated 1,300 acres in Peninsula Malaysia to plant organic herbs. The company currently has two farms and is already harvesting from both. Herbs like turmeric, ginger, misai kucing, kacip fatimah, hempedu bumi, roselle, tongkat ali, pecah beling and dukung anak have been successfully planted. The company plans to use most of the herbs for its own in-house production, while the balance will be sold to external parties. Group profit margin should expand as the company sources more of its raw materials from its own herbal farms.

Figure 2: Land available for planting organic herbs

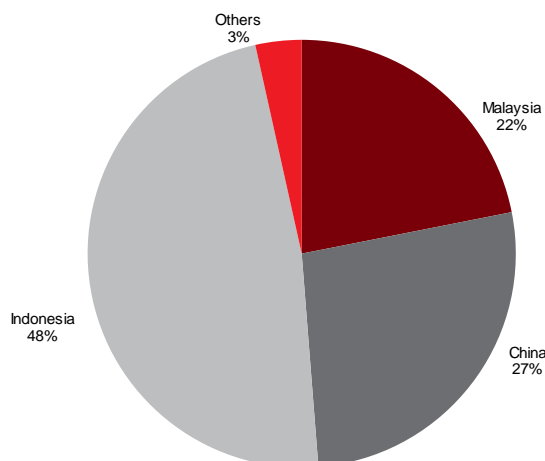
Location	Acres
Pasir Raja land, Terengganu	123 (Phase 1)
Pasir Raja land, Terengganu	880 (Phase 2)
Kota Tinggi, Johor	295
Total (acres)	1,298.0

SOURCES: CIMB, COMPANY

Indirect China play? ➤

Chinese customers have only started buying from BioA in 2Q15 and as of 9M15, China already contributed 27% of group revenue. Popular products among customers from China include tongkat ali herbs and TMM. We believe China could be one of the largest revenue contributors to BioA this year.

Figure 3: BioA's 9M15 revenue breakdown



SOURCES: CIMB, COMPANY REPORTS

Middle East: a new market for 2016? ➤

Towards the end of 2014, BioA entered in an MOU with UAE's Fathima Group (FG) for the latter to be a distributor in the gulf state. FG has one of the largest supermarket and hypermarket chains in the UAE. We understand FG will be selling BioA's house brands and popular products such as tongkat ali coffee/tea and the kacip fatimah coffee/tea. We expect the company to start the distribution of its house brand products in the UAE starting this year, and believe the Middle East would be a huge market for BioA in 2-3 years' time.

Expanding its pharmacy chain ➤

The company currently has one retail pharmacy outlet, "LifeSprings" at Solaris Mont Kiara, Kuala Lumpur. In Jan-2016, the company finalized the purchase of the Mediconstant Pharmacy Group which has 12 pharmacies in the Klang Valley. With the pharmacies under its umbrella, it would be easier for the company to market, distribute and sell its own house products. BioA is also in a 70:30 JV with MyAngkasa, the National Co-operative Organisation of Malaysia, to establish a chain of retail outlets nationwide. MyAngkasa currently has around 12,000 co-operatives and 8m members nationwide.

Riding the e-commerce trend ➤

Riding on the global e-commerce trend, the company targets to launch its own e-commerce portal in 1Q16. We are positive on this development as it would enable domestic and overseas customers to purchase its products via the Internet. We have not assumed any earnings from this e-commerce segment but in the next 2-3 years, this division could easily contribute 10%, if not more, of its house brand products' revenue.

A government NKEA project

In 2011, BioA entered into a National Key Economic Area (NKEA) agreement with the government to undertake pre-clinical and clinical research on two herbal supplements for diabetes and hormone replacement therapy. A RM20m grant was offered by the government. Results from animal trials have been successful and human trials will start this year.

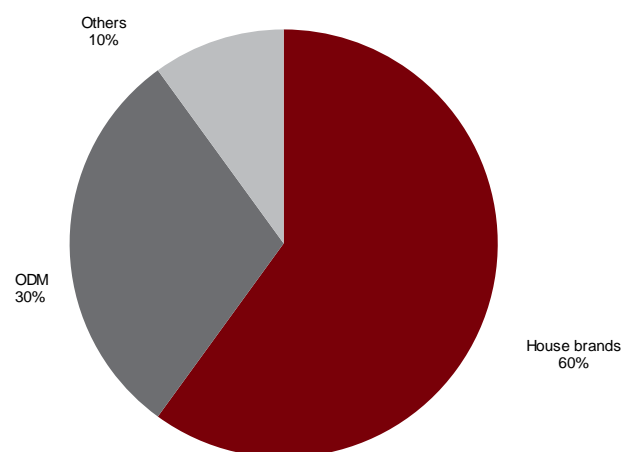
If all trials are successful, BioA will be able to register its herbal supplement with the National Pharmaceutical Control Bureau (NPCB) as a botanical drug. We have not assumed any potential earnings from this project.

BioA's core business

Integrated player in this market ➤

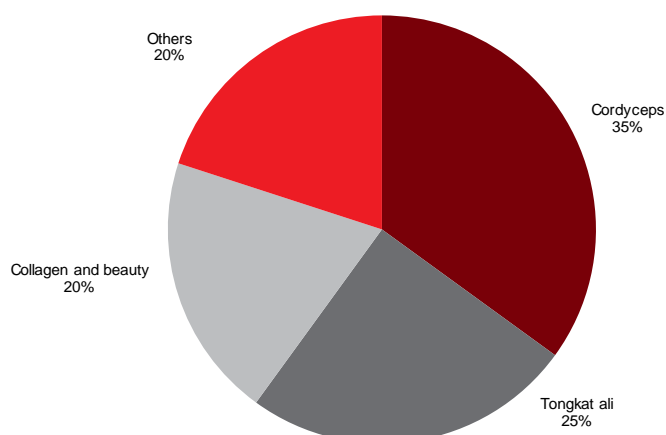
BioA produces and sells semi-finished and finished health supplement products for ODM and its own house brands. The products sold to both domestic and export markets are formulated ingredients, processed herbs and functional food (herbal and non-herbal). BioA's house brands include Nushine, Apotec, Alphanex and Bioapotec, while ODM sales are its own formulated ingredients. The products manufactured include 9 semi-finish formulated ingredients, 75 finished functional food products, and 48 finished herbal and non-herbal supplement products. House brands currently contribute 60% of the group's revenue and *cordyceps* and *tongkat ali* are the best sellers.

Figure 4: BioA's segmental sales breakdown (%)



SOURCES: CIMB, COMPANY REPORTS

Figure 5: BioA's 2015 estimated product sales breakdown (%)



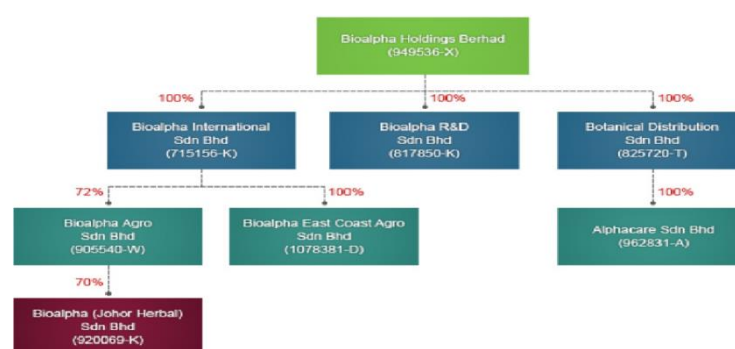
SOURCES: CIMB, COMPANY

ACE market listing in 2015 ➤

BioA was listed on the ACE market in Apr 2015 and is a shariah-compliant stock. At the IPO, 100m new public shares were issued at RM0.20 to raise RM20m for the company. The total issued share capital post-listing was 483.2m shares. There are currently three major shareholders in the company and, in total, they have a circa 52% stake in the company. The three major shareholders are:

- William Hon, founder and Managing Director of BioA. He currently owns a 17.9% stake in the company.
- Khazanah Nasional's venture capital division, Malaysian Technology Department Corporation (MTDC). MTDC became a major shareholder in 2008, after injecting capital into BioA. MTDC currently owns a 17.6% stake.
- Permodalan Nasional Bhd (PNB), which is BioA's bumiputera partner. PNB became a shareholder in 2013 and currently owns 16.7% of the company.

Figure 6: BioA corporate structure



SOURCES: CIMB, COMPANY

How it all started for BioA ➤

In 2005, BioA, founded by MD William Hon, started selling health supplements under the house brand "Bexlim". Products at that time were manufactured by a third party. In 2007, BioA set up its first manufacturing plant in Semenyih and in the following year, the company secured its first ODM and OEM customer. MTDC emerged as a major shareholder in 2008, and in 2009, BioA received a grant from the government to build its liquid fermentation facility. Four years later, the company set up its second factory, in Bangi. PNB also emerged as a major shareholder in 2013.

Figure 7: Key milestone for BioA since 2005

2005	Started selling health supplements under "Bexlim" house brand
2007	Set up manufacturing plant in Semenyih Penetrated into the Indonesia market
2008	Secured first OEM and ODM customers MTDC became substantial shareholder Expanded plant from two to five packaging forms Started R&D on medicinal mushrooms, particularly <i>C.sinensis</i> Awarded Bio Nexus status by MBC, 10 year tax free status
2009	Grant from MBC to set up commercial liquid fermentation facility
2010	JV to farm herbal plants in Desaru land
2011	NKEA agreement with govt. as anchor company to undertake high value herbal products Continued R&D on more medicinal mushrooms Commenced operations of liquid fermentation facility
2012	Penetrated into the Australia market Trademark "Bioapotec" house brand
2013	Expanded capacity with new plant in Bangi Got R&D on the extraction of polysaccharide cabohydrate from <i>L.rhinoceros</i> PNB its new substantial shareholder Started commercialisation of 13 new <i>C.sinensis</i> product formulations
2014	Bangi plant certified GMP compliant by MOH Appointed anchor company by ECERDC to develop Pasir Raja land Launched first pharmacy outlet "Life Springs" in Solaris Mont Kiara
2015	Listed in ACE Market

SOURCES: CIMB, COMPANY

In-house liquid fermentation process ➤

Both BioA's factories, located in Semenyih and Bangi, are equipped to handle the entire product development process which includes product formulation, sourcing for active ingredients, and product packaging (tablet, bottle, capsule, teabag and sachet form). Its plants are currently operating at an average 50% capacity so it would be easy for BioA to ramp-up production if product demand is strong.

For semi-finished products, BioA either sells processed herbs or formulated ingredients through its liquid fermentation process. The company does its own formulation, which it sells to third parties. At the processing herb plant, BioA cleans, dries and packs herbal plants. For formulated ingredients involving medicinal mushrooms, the company goes through a liquid fermentation and free drying process to produce medicinal mushroom extract in powder form. Formulated ingredients sold include mycelium powder, tongkat ali extract, misai kucing extract and roselle extract.

Liquid fermentation process is BioA's strength ➤

Wild mushrooms usually take around one year to grow, while solid fermentation takes 40 days. BioA's liquid fermentation process for its medicinal mushrooms cuts this process down to only five days, and the fermentation process also ensures consistent quality, with the supply of toxin-free medical mushroom powder. The company's R&D team focuses on the isolation of the mushroom strain and the development of the liquid fermentation technology. The strain can be fermented to produce the required active compound and this can produce mycelium powder in large quantities.

Since 2008, the company has been working on six medical mushrooms. Two are currently under commercial production, *cordyceps sinensis* (CYS), which is usually found in the Tibetan region, and *lignosus rhinoceros*, better known as tiger milk mushroom (TMM). This mushroom is native to tropical forests in the ASEAN region.

Legend has it this mushroom grows on the spot where tiger milk falls to the ground when a mother is feeding her cubs, thus the name “tiger milk mushroom”. Consistent supply of TMM has always been a problem but scientists have recently found a way to commercially produce this mushroom.

Figure 8: Claimed benefits of selected medicinal mushrooms and tropical herbs

Product	Claimed benefits
Cordyceps sinensis	Cholesterol reduction, stimulates immune system and faster recovery from bronchitis and respiratory diseases
Tiger milk mushroom	High levels of betaglucan, boost body's immune system & prevent spread of cancer cells. Traditionally used to help improve respiratory problems
Maitake mushroom	May help attack cancer cells, reduce effects of chemotherapy, reduce insulin resistance, boost immune system, lower blood pressure and cholesterol
shiitake mushroom	Lentinan, a potent antifungal protein found to have cancer-preventing properties. Protective abilities on the liver and suppress inflammation
Cordyceps militaris	Used to support the immune system, act as an anti-viral agent, help control blood sugar and protect liver and kidney health
Lingzhi	Chinese calls it "mushroom of immortality". anti-cancer, hypoglycemic, lower blood pressure and immuno-modulating effects
Tongkat Ali	Aphrodisiac and improve immune system
Kacip Fatimah	Induction and facilitation of labour and prevention of bone-related concerns
Misai Kuching	Treat diabetes, hypertension, hepatitis, rheumatism, edema and urinary tract illnesses
Hempedu Bumi	Blood pressure regulation, diabetes, cancer, flu and anti-inflammatory properties
Roselle	Anti-oxidant properties, anti-bacterial, anti-fungal and treatment of kidney stones
Ginger	Relieve indigestion and stomach ache

SOURCES: CIMB, INTERNET

While commercial production for CYS started in 2008, BioA only started commercialisation of the TMM in 2014. We understand TMM has high levels of betaglucan, which research has found to boost the body's immune system and prevent the spread of cancer cells. This mushroom is also used to help cough and asthma problems. BioA will be focusing more on marketing TMM in 2016. Other popular retail products under its umbrella include collagen, coffees and teas.

Figure 9: BioA's retail products

Coffee	Beauty
Kacip Fatimah Coffee	Collagen 5500
Tongkat Ali Coffee	Nushine Nanollagen
Ling Zhi Coffee	Nushine Anti-Aging
Cordyceps Sinensis Coffee	Pearl Collagen
Tea	Health supplements
Kacip Fatimah Tea	Nutri Mushy Soup
Tongkat Ali Tea	Apple Cider & Honey
Dragon Fruit Tea	BG Oats
Rooibos Tea	Bio Ligno
Hempedu Bumi Tea	B-Ligno Complex
Misai Kucing Tea	B-Spirulina
Roselle TEA	Chlorophyll
Teh tarik	
Kacip Fatimah The Tarik	
Tongkat Ali Tea Tarik	

SOURCES: CIMB, COMPANY REPORTS

Managing its own herbal harm ➤

With support from the Federal, Johor and Terengganu government, BioA has around 1,300 acres of land in Kota Tinggi, Johor and Pasir Raja, Terengganu to plant organic herbs. In 2014, the company was appointed as an anchor company by the East Coast Economic Region Development Council (ECERDC) to develop and manage the Pasir Raja land. Phase 1 planting has already started at both its Pasir Raja farm (123 acres) and Kota Tinggi farm (100 acres). Herbs like turmeric, ginger, misai kuching, kacip fatimah, hempedu bumi, roselle, tongkat ali, pecah beling and dukung anak have been successfully planted in the farms.

Figure 10: BioA's herbal farms

Location	Acres
Pasir Raja land, Terengganu	123 (Phase 1)
Pasir Raja land, Terengganu	880 (Phase 2)
Kota Tinggi, Johor	100 (Phase 1)
Kota Tinggi, Johor	195 (Phase 2)
Total (acres)	1,298

SOURCES: CIMB, COMPANY REPORTS

Expanding its pharmacy network ►

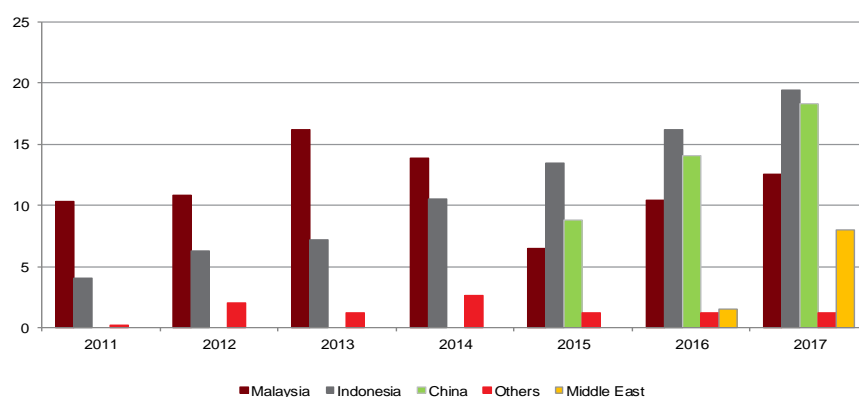
The company currently has one retail pharmacy outlet, "LifeSprings" at Solaris Mont Kiara, Kuala Lumpur. This month, the company finalised the purchase of the Mediconstant Pharmacy Group for RM5m via the issue of 18.9m new BioA shares. The Mediconstant Group has 12 pharmacies in the Klang Valley. Revenue in 2014 was around RM17m or an average of RM1.5m per pharmacy outlet.

In 2015, BioA set up a 70:30 joint venture with MyAngkasa, the National Co-operative Organisation of Malaysia, to establish a chain of retail outlets nationwide. MyAngkasa currently has around 12,000 co-operatives nationwide and 8m members. This joint venture should kick off in a big way in 2016. We have not assumed any potential earnings from this JV, but both developments should be positive for the future sales of BioA's house brand products.

Where are its customers from? ►

Before 2015, the domestic market was BioA's largest market and Indonesia was the second largest. However, after the Apr 2015 GST implementation, domestic sales took a dip. Fortunately, Chinese customers started buying from BioA from 2Q15 onwards, and based on the current sales momentum, BioA's largest markets should be China and Indonesia in 2016. Domestic sales should recover in 2016 as customers get used to GST. In addition, domestic house brand sales should also pick up as the company starts selling more of its own products through the group's own pharmacy outlets.

We have also assumed maiden revenue contributions from the Middle East in 2016. In end-2014, BioA signed a MOU with UAE's Fathima Group of Companies (FG) for the latter to distribute its house brands. FG has one of the largest chains of retail outlets in the UAE and also has a presence in five other counties in the Middle East. We expect sales to FG to start in mid-2016.

Figure 11: BioA's estimated revenue breakdown by country (RMm)

SOURCES: CIMB

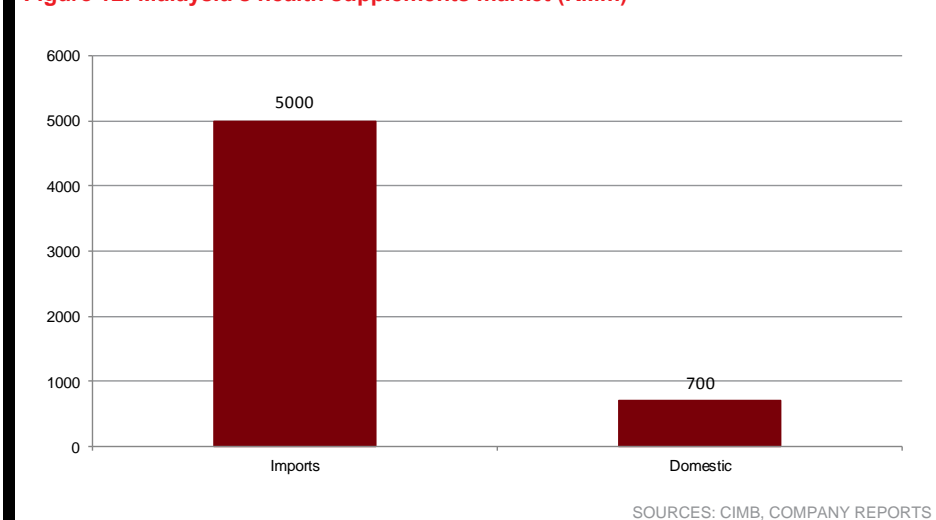
A government NKEA project

In 2011, BioA entered into a National Key Economic Area (NKEA) agreement with the government to undertake pre-clinical and clinical research on two herbal supplements for diabetes and hormone replacement therapy. A RM20m grant was offered by the government. The results with animal trials have been successful and human trials will start this year. If all trials are successful, BioA will be able to register its herbal supplement with the National Pharmaceutical Control Bureau (NPCB) as a botanical drug. We have not assumed any potential earnings from this project.

The health supplement manufacturing industry in Malaysia ▶

The health supplement market is mainly dominated by imports. In 2013, imports of health supplements was close to RM5bn. This is considerably more than the sales of the domestic health manufacturing industry of only around RM700m but is not a surprise as the domestic market is relatively young and is still at the growth stage. Today, there are more than 130 domestic health supplements producers in the country and BioA's domestic market share is about 3-4%. According to an independent study done by Smith Zander, other players in this market include players such as Gano Excel Industries S/B, DXN Pharmaceutical S/B, Herbal Science S/B and Ecolite Biotech manufacturing S/B.

Figure 12: Malaysia's health supplements market (RMm)



Among the listed companies on Bursa Malaysia, the closest comparison to BioA is Hovid (HOV MK, Hold) and Y.S.P Southeast Asia (YSP MK, Non Rated). While BioA's good manufacturing process (GMP) is focused on herbs and medical mushrooms, Hovid produces mainly generic drugs, while YSP manufactures a wide range of pharmaceutical, over-the-counter (OTC), veterinary and aquatic products. Although BioA's revenue is less than one fifth of Hovid's and YSP's, its net profit margin is double that of the two companies. Pharmacy wise, there is currently one listed pharmacy group, Caring Pharmacy Group (CARING MK, Non Rated). Caring's average revenue per outlet is RM3m, which is higher than Mediconstant's pharmacy average RM1.5m sales/outlet. This is not a surprise as Caring's strength is having outlets at high traffic growth areas.

Figure 13: Listed pharmaceutical and pharmacies on Bursa Malaysia

Companies	BioA	Hovid	YSP	Caring
Bloomberg code	BIOA MK	HOV MK	YSP MK	CARING MK
Share price	0.32	0.46	2.65	1.94
Issued shares (m)	463.4	801.1	134.6	217.7
Market Cap (RMm)	148.3	368.5	356.7	422.3
Financial Year-End	Dec-2014	Jun-2015	Dec-2014	May-2015
Revenue (RMm)	27.1	188.4	202.2	367
Net profit (RMm)	6.4	20.9	16.5	12.9
Net profit margin (%)	23.6%	11.1%	8.2%	3.5%
EPS(sen)	1.4	2.6	12.3	5.9
PER (x)	23.2	17.6	21.6	32.7

SOURCES: CIMB, COMPANY REPORTS

BioA SWOT analysis ►

The government's support for development of herbal supplements in the country is a major positive for the company. In fact, the MTDC was the company's venture capital partner in 2008 when BioA needed more funds to move up the value-chain. In addition, over the past few years, the government has also provided land for herb farming. The company has in total 1,300 acres of land in Malaysia for organic herbal farming. In addition, the government has also allocated a RM20m grant to BioA for R&D on two herbs for diabetes and hormone replacement therapy. Human test trials start in 2016 and if all goes well, the herbs could be sold as drugs over the next few years.

While domestic revenue was down in 2015 as sales were affected by the GST, this was compensated by China sales from 2Q16 onwards. In addition, the company is expected to start selling its products to the Middle East, likely from mid-2016 onwards. One of the major weaknesses of the industry is the lack of proper R&D commitment. Trials can take years and could cost a lot of money. Fortunately, BioA has the government's support. In 2010, the government's Agriculture National Key Economic Area (NKEA) identified high-value herbal products as one of the key entry point projects (EPP). Downstream initiatives are currently undertaken by eight companies nationwide, of which BioA is one.

Figure 14: BioA's SWOT analysis

Strengths	Opportunities
Integrated herbs producer and distributor	Gaining world wide popularity of tropical herbs as an alternative to Western medicine
Liquid fermentation process ensure consistent supply	Ongoing medical trials for two herbs for diabetes and hormone replacement, drug soon?
Support from the government	Able to sell herbs from own planted farms
Tax-free until 2018	Financial support from the government
6 medical mushrooms ready for commercial production	To sell in Middle East market
Experienced management and R&D staff	Just started selling to China consumers in 2015
Net cash balance sheet	Tiger milk mushroom should be a best seller as more understand its benefits
Listing will raise company's profile	
Weaknesses	Threats
Still new, needs to spend more A&P to build brand	Western medicine raise question on herb benefits, due to lack of R&D in herbs
Operations small, no strong economies of scale yet	Other competitors in the region
Herbs not backed by enough R&D	No proper standards imposed for sale of herbs in the region\
Only owns one pharmacy now, to open more outlets	
Domestic demand affected by GST	

SOURCES: CIMB

Risks

R&D failure risk ➤

The company's R&D on new products could turn out unsuccessful and this could hurt its profitability. However, management has always been conservative on its R&D spending and so far, results have been positive. The company currently has six medical mushrooms ready for commercial production.

Harvest risk ➤

Disease outbreaks or damage from pests could affect herb farming output. BioA would need to source its herbal supplies externally, leading to higher raw material costs.

Product defect ➤

Any product recall could hurt sales and the company's reputation. Product recall could be due to contamination or tampering of its products. Management has always stressed about product quality and safety has been GMP compliant since 2008.

Intellectual property risks ➤

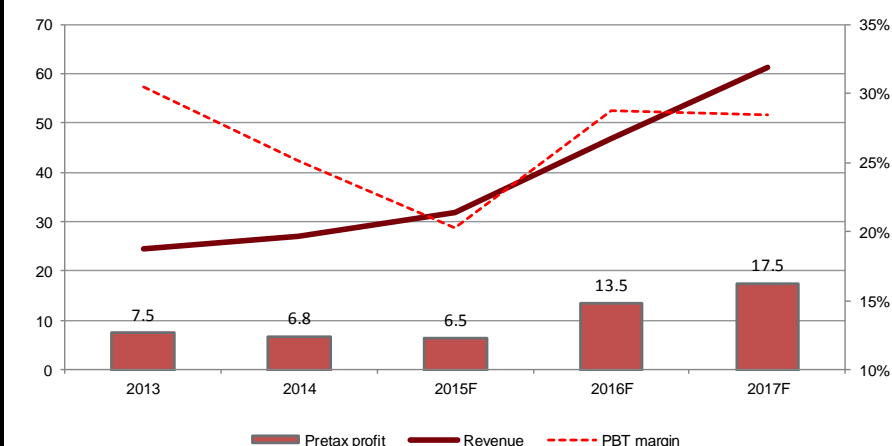
Competitors could copy the company's successful liquid fermentation processing. As such, BioA has applied for intellectual property rights for the liquid fermentation plant and processes.

Financials

2015 a year of consolidation ➤

2015 was a year of consolidation for the company. 12M2015's net profit should be slightly lower than that for 2014. This is mainly due to the company recognising RM2.3m in IPO listing expenses in 2015. If we strip out the listing expenses, 2015's pretax profit should be around 28% higher yoy.

Figure 15: BioA revenue and pretax profit (RMm)



SOURCES: CIMB, COMPANY REPORTS

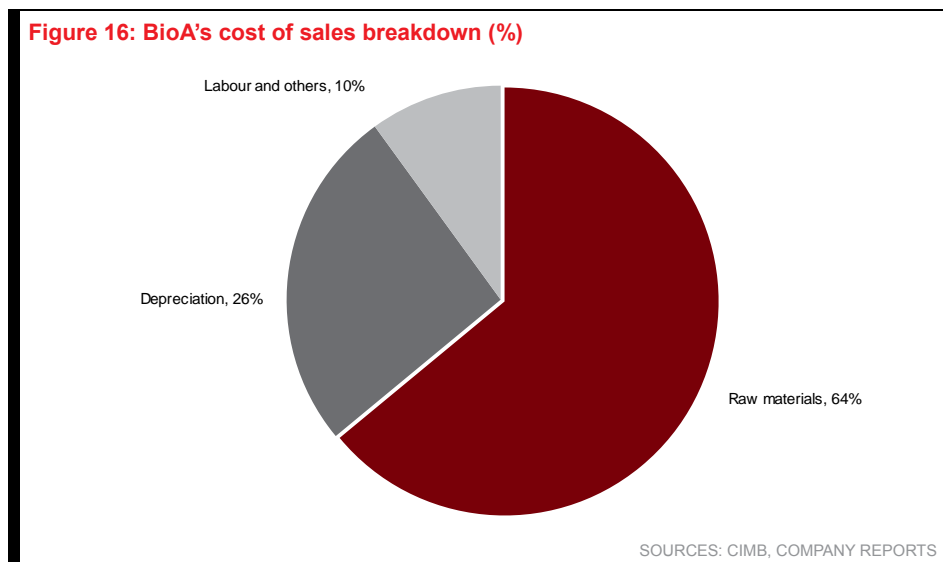
Pretax profit margin around 30% ➤

2015's pretax profit margin is estimated to be only around 20% but should rise to 27% if we strip out the RM2.3m in IPO expenses recognised in 2015. Economies of scale should lead to higher profit margins in 2016/17 but we expect pretax margin at only around 27-28%. This is mainly due to expected lower pretax profit margin contributions from the pharmacy business (pretax margin expected to be only around 10%).

Growing economies of scale ➤

We estimate raw materials as BioA's largest cost of sales component, making up about 70% of total expenses in 2015. However, raw material costs should gradually fall over the next few years as the company utilises more of the herbs planted at its own farms. Herbs like hempedu bumi can be harvested within 7-8 months, but others like tongkat ali take 6-7 years to mature.

Figure 16: BioA's cost of sales breakdown (%)

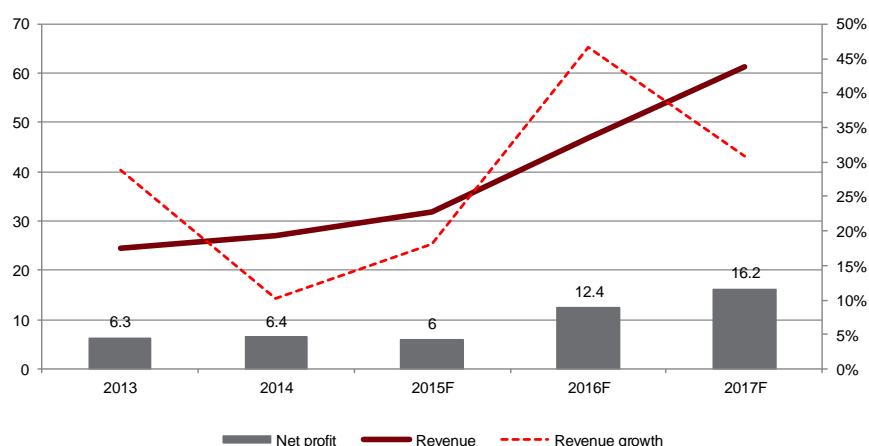


Sales are only in Ringgit ➤

BioA does not benefit from the strong US\$ as most of its sales are denominated in ringgit. The current weak ringgit actually works in the company's favour as its products are seen to be more competitive than those of its peers in the region.

Tax-free earnings ➤

In 2008, BioA secured the BioNexus status from the government's Malaysian Biotechnology Corporation that is granted to companies that undertake value-added biotechnology activities. The company is tax-free for ten years, up to 2018. Its tax rate for the 10 years following 2018 will be at 20%. However, the pharmacy business pays the usual corporate tax rate. We have not assumed the company will activate the pioneer status which was secured for its two herbal farms. Earnings from its two herbal farms will be tax-free over the 10 years, likely starting from 2018 onwards.

Figure 17: BioA's revenue and net profit (RMm)

SOURCES: CIMB, COMPANY REPORTS

Target 65% annual net profit growth the next two years

Driven by a strong top line growth and greater economies of scale, we expect net profit to grow 65% over the next two years. Excluding 2015's RM2.3m IPO expenses, net profit growth over the next two years should be around 40% per annum, which are still strong growth numbers. What could surprise earnings on the upside over the next two years are stronger-than-expected China sales, more pharmacies to be opened or an unexpected blockbuster product. Its new tiger milk mushroom could be a major hit as management plans to focus more of its A&P activities around this product in 2016.

Net cash balance sheet, 30% dividend payout ratio ➤

As at end-3Q15, BioA's balance sheet was RM15m in net cash or 3 sen net cash per share. The company should remain in a net cash position over the next few years as operational cash flows should be more than sufficient to finance future capex plans. With its healthy balance sheet, the company set up a dividend policy at its IPO, which is to pay out at least 30% of its net profit in dividends every year.

4Q the seasonally-strongest quarter ➤

For BioA, 4Q is seasonally the strongest quarter for the company. 4Q14's pretax profit contributed around 40% of the company's 12M2014 pretax profit. We believe the strong 4Q profits are attributable to customers buying its products as year-end and festive season gifts.

Valuation and recommendation

Below the radar but not for long ➤

We will be the first research house to have active coverage of BioA. The stock is currently not under the radar for most investors, which is not a surprise as 9M15 net profit was unimpressive at only RM3m compared to RM3.8m in 9M14. However, 9M15's net profit included RM2.3m in IPO listing expenses. Ex-IPO expenses, 9M15 net profit should be RM5.3m, 40% higher yoy. Another factor to consider is that 4Q is the seasonally-strongest quarter for the company, contributing as much as 40%-50% of group earnings. 4Q15's results will only be announced in late-Feb 2016.

Here comes the tiger ➤

Over the past few years, the CYS mushroom has been the best seller for the company, contributing more than 30% of the group's revenue. Sales were both to ODM and house brands. In 2016, BioA has five new medical mushrooms ready for commercialisation. The company only started to aggressively market the TMM in 2014, and we believe this new medical mushroom would be another blockbuster, very much like CYS has been.

65% earnings growth, indirect China play? ➤

We expect BioA's net profit to grow 65% annually over the next two years. Earnings growth could be even higher if China turns in stronger-than-expected sales or one of its items becomes an unexpected blockbuster product. China customers started buying BioA products in 2Q15 and we believe in 2016, these customers could be one of the company's largest revenue contributors. BioA is also a potential Middle East play as export orders to this region should start by mid-2016.

MyAngkasa JV could provide positive surprise ➤

The company's JV with MyAngkasa could surprise on the upside in 2016. The JV plans to establish a chain of retail outlets and pharmacies in the country and MyAngkasa is huge, with 12,000 co-ops and 8m members (more than 25% of the country's population). The opening of new retail and pharmacy outlets will be positive for BioA as this would help the company sell and distribute its house brand products nationwide. We have not assumed any potential earnings from this JV.

Initiate with an Add call ➤

We are initiating coverage on BioA with an Add recommendation. Our target price is RM0.65, based on a 2017 19.2x P/E, which is at a 20% premium to our target market P/E. The market premium is justified by the strong earnings growth outlook over the next few years. Our consumer sector, excluding BioA, is also trading at a 2017 18.6x P/E. Potential catalysts for the stock include stronger-than-expected sales from China, and further developments from the MyAngkasa JV.

Figure 18: Sector Comparisons

Company	Bloomberg Ticker	Recom	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY2016	CY2017		CY2016	CY2017	CY2016	CY2017	CY2016	CY2017	CY2016	CY2017
Bioalpha Holdings	BIOA MK	ADD	0.35	0.63	34	13.0	10.0	39.0%	1.7	1.4	15.0%	17.5%	7.5	5.6	2.7%	3.3%
Berjaya Food Berhad	BFD MK	ADD	2.18	3.27	187	15.7	12.1	26.3%	1.9	1.8	12.6%	15.1%	5.8	4.7	3.8%	4.9%
Kawan Food	KFB MK	ADD	3.51	4.48	169	19.0	16.2	29.4%	3.2	2.8	20.2%	18.6%	9.3	7.9	1.4%	1.9%
Nestle (Malaysia)	NESZ MK	HOLD	73.42	74.94	3,917	28.3	27.0	4.7%	21.5	21.2	76.7%	79.0%	18.2	17.5	3.5%	3.6%
QL Resources	QLG MK	ADD	4.39	5.26	1,247	22.2	19.2	7.5%	3.2	2.8	15.4%	15.6%	13.0	11.6	1.3%	1.5%
Sector average ex-Bio						21.3	18.6	17.0%	7.4	7.2	0.3	32.1%	11.6	10.4	2.5%	3.0%

SOURCES: CIMB, COMPANY REPORTS

Technical charts

Bullish reverse head and shoulder? ►

BioA's daily shows potential bullish "reverse head and shoulder" formation with the neckline at RM0.34. If we are right, the target of the "reverse head and shoulder pattern" is at RM0.45. Rising daily trading volume over the past few weeks is positive for the stock.

Figure 19: BioA's daily price chart (RM0.34)

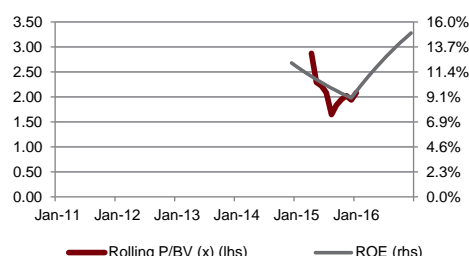


BY THE NUMBERS

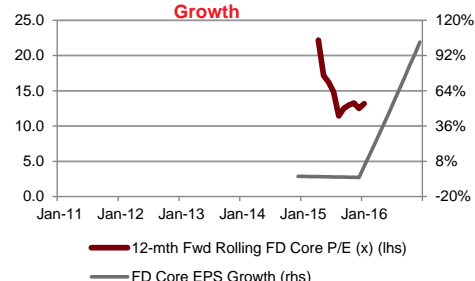
Share price info

Share px perf. (%)	1M	3M	12M
Relative	11.9	25.6	
Absolute	9.7	21.4	
Major shareholders			% held
William Hon			17.9
MTDC			17.6
PNB			16.7

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profits include RM2.3m IPO-expenses

Profit & Loss

(RMm)	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	24.60	27.10	28.00	46.88	61.44
Gross Profit	12.80	13.20	15.40	27.19	36.87
Operating EBITDA	7.80	5.40	9.50	17.25	21.80
Depreciation And Amortisation	(2.50)	(3.40)	(3.80)	(4.30)	(4.80)
Operating EBIT	5.30	2.00	5.70	12.95	17.00
Financial Income/(Expense)	2.20	4.80	0.80	0.50	0.50
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	7.50	6.80	6.50	13.45	17.50
Exceptional Items					
Pre-tax Profit	7.50	6.80	6.50	13.45	17.50
Taxation	(1.20)	(0.50)	(0.50)	(1.07)	(1.32)
Exceptional Income - post-tax	0.00	0.00	0.00	0.00	0.00
Profit After Tax	6.30	6.30	6.00	12.38	16.18
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6.30	6.30	6.00	12.38	16.18
Recurring Net Profit	6.30	6.30	6.00	12.38	16.18
Fully Diluted Recurring Net Profit	6.30	6.30	6.00	12.38	16.18

Equity funds from IPO

Cash Flow

(RMm)	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	7.80	5.40	9.50	17.25	21.80
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(4.20)	(0.20)	0.30	(9.20)	(5.55)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.50	(4.80)	(2.00)	(1.00)	(1.00)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(0.30)	(0.20)	(0.50)	(1.07)	(1.32)
Cashflow From Operations	3.80	0.20	7.30	5.99	13.93
Capex	(9.40)	(7.50)	(9.50)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	(1.00)	(1.00)	(1.00)
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(9.40)	(7.50)	(10.50)	(6.00)	(6.00)
Debt Raised/(repaid)	1.40	4.20	0.00	0.00	0.00
Proceeds From Issue Of Shares	17.00	0.00	17.80	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	(0.20)	(1.80)	(3.71)	(4.85)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	18.40	4.00	16.00	(3.71)	(4.85)
Total Cash Generated	12.80	(3.30)	12.80	(3.73)	3.07
Free Cashflow To Equity	(4.20)	(3.10)	(3.20)	(0.01)	7.93
Free Cashflow To Firm	(5.60)	(7.30)	(3.20)	(0.01)	7.93

BY THE NUMBERS

Balance Sheet

Net cash balance sheet

(RMm)	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	10.90	9.80	21.10	15.90	21.20
Total Debtors	13.00	12.80	14.00	23.44	30.72
Inventories	3.00	4.10	3.60	4.30	3.30
Total Other Current Assets	10.10	7.40	7.40	7.40	7.40
Total Current Assets	37.00	34.10	46.10	51.04	62.62
Fixed Assets	17.40	24.30	30.00	30.70	30.90
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	5.50	8.10	15.20	19.10	23.30
Total Non-current Assets	22.90	32.40	45.20	49.80	54.20
Short-term Debt	0.80	1.20	1.00	1.00	4.90
Current Portion of Long-Term Debt	1.20	0.40	1.40	2.34	3.07
Total Creditors	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities	4.80	6.10	6.10	6.10	6.10
Total Current Liabilities	6.80	7.70	8.50	9.44	14.07
Total Long-term Debt	2.50	2.30	2.30	2.30	2.30
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	2.10	2.20	2.20	2.20	2.20
Total Non-current Liabilities	4.60	4.50	4.50	4.50	4.50
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	11.40	12.20	13.00	13.94	18.57
Shareholders' Equity	48.50	54.30	78.30	87.00	98.30
Minority Interests	0.00	0.00	0.00	0.00	0.00
Total Equity	48.50	54.30	78.30	87.00	98.30

Key Ratios

Growth from China and pharmacy business

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	0.0%	10.2%	3.3%	67.4%	31.1%
Operating EBITDA Growth	0.0%	(30.8%)	75.9%	81.6%	26.4%
Operating EBITDA Margin	31.7%	19.9%	33.9%	36.8%	35.5%
Net Cash Per Share (RM)	0.013	0.012	0.034	0.021	0.022
BVPS (RM)	0.10	0.11	0.16	0.17	0.20
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	16.0%	7.4%	7.7%	7.9%	7.5%
Net Dividend Payout Ratio	NA	3.2%	30.0%	30.0%	30.0%
Accounts Receivables Days	192.9	173.7	174.7	146.2	160.9
Inventory Days	92.8	93.2	111.5	73.4	56.4
Accounts Payables Days	-	-	-	-	-
ROIC (%)	12.0%	4.5%	11.3%	20.2%	21.6%
ROCE (%)	N/A	12.2%	9.2%	15.3%	17.4%
Return On Average Assets	N/A	2.4%	6.6%	12.4%	14.4%

Key Drivers

From pharmacy business

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	9.0%	10.2%	10.0%	40.0%	23.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod/serv)	0.0%	0.0%	0.0%	875.0%	54.0%
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Outlets #/POS (main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Outlets #/POS (2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
A&P As % Of Sales	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

DISCLAIMER

#01

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to CIMB and is distributed by CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB is under no obligation to update this report in the event of a material change to the information contained in this report. CIMB has no, and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, CIMB, or any of their respective affiliates, or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, CIMB disclaims all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon sources which CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or its affiliates to any person to buy or sell any investments.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB or its affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CIMB entity as listed in the table below. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("**CIMBGH**") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CIMB Securities Indonesia	Financial Services Authority of Indonesia
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Taiwan	CIMB Securities Limited, Taiwan Branch	Financial Supervisory Commission
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of January 27, 2016 CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) Kawan Food

(ii) As of January 27, 2016, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services licence. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at <https://researchcentral.cibcwm.com>.

China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such

recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CIMB Securities Limited does not make a market on the securities mentioned in the report.

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with the Securities and Exchange Board of India ("SEBI") as an Investment Adviser. CIMB India is registered with SEBI as a Research Analyst pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB") solely for the benefit of and for the exclusive use of our clients. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #19-00 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in securities), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising

from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMB Research Pte Ltd ("CIMBR"), its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of January 27, 2016, CIMBR does not have a proprietary position in the recommended securities in this report.

CIMB Securities Singapore Pte Ltd and/or CIMB Bank does not make a market on the securities mentioned in the report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer or a placement within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited ("CIMBS") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBS has no obligation to update its opinion or the information in this research report.

If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient are unaffected.

CIMB Securities (Thailand) Co., Ltd. may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AMATA, ANAN, AOT, AP, BA, BANPU, BBL, BCP, BDMS, BEAUTY, BEC, BEM, BH, BJCHI, BLA, BLAND, BTS, CBG, CENTEL, CHG, CK, CKP, CPALL, CPF, CPN, DELTA, DTAC, EARTH, EGCO, EPG, GL, GLOW, GPSC, GUNKUL, HANA, HMPRO, ICHI, INTUCH, IRPC, ITD, IVL, JAS, KBANK, KCE, KKP, KTB, KTC, LH, LHBANK, LPN, M, MAJOR, MINT, PLANB, PLAT, PS, PTG, PTT, PTTEP, PTTGC, QH, ROBINS, RS, S, SAMART, SAMTEL, SAWAD, SCB, SCC, SCCC, SCN, SGP, SIRI, SPALI, SPCG, STEC, STPI, SVI, TASCO, TCAP, THAI, THCOM, TICON, TISCO, TMB, TOP, TPIPL, TRUE, TTA, TTCL, TTW, TU, UNIQ, UV, VGI, VNG, WHA, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London,

SW1X7YB. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom, or (e) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "investment research" under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of investment research and will not be subject to any prohibition on dealing ahead of the dissemination of investment research. Any such non-independent report must be considered as a marketing communication.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CIMB Research Pte Ltd, CIMB Investment Bank Berhad, PT CIMB Securities Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

CIMB Securities (USA) Inc does not make a market on the securities mentioned in the report.

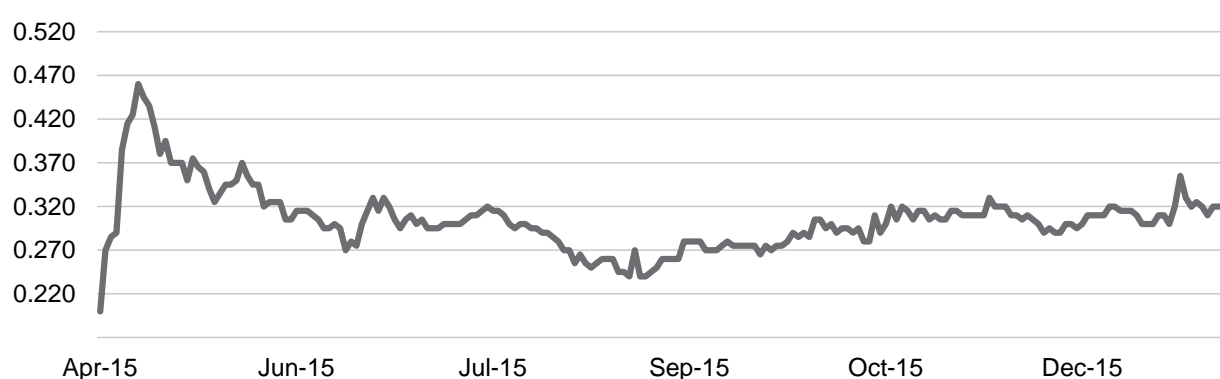
Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2015		
1536 companies under coverage for quarter ended on 31 December 2015		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	9.3%
Hold	31.5%	4.0%
Reduce	8.5%	0.7%

Spitzer Chart for stock being researched (2 year data)

Bioalpha Holdings (BIOA MK)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP – Excellent, 5, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC – Good, 3B, BECL – Very Good, 3B, BH – Good, 2, BIGC – Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, BMCL – Very Good, 1, BTS – Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN – Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO – Excellent, 4, EPG – not available, 3B, GFPT – Very Good, 3A, GLOBAL – Very Good, 2, GLOW – Good, 3A, GRAMMY – Excellent, 3B, GUNKUL – Very Good, 1, HANA – Excellent, 4, HEMRAJ – Very Good, 2, HMPRO – Excellent, 3A, ICHI – Very Good, 3A, INTUCH – Excellent, 4, ITD – Good, 1, IVL – Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK – Excellent, 4, KCE – Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB – Excellent, 4, KTC – Very Good, 3A, LH – Very Good, 3B, LPN – Excellent, 3A, M – Good, 2, MAJOR – Good, 1, MAKRO – Good, 3A, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT – Excellent, 3A, MTLs – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL – Excellent, 4, PTT – Excellent, 5, PTTEP – Excellent, 4, PTTGC – Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SMART – Excellent, 3B, SAPPE – Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB – Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCCC – Good, 3A, SIM – Excellent, 3B, SIRI – Good, 1, SPALI – Excellent, 3A, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO – Excellent, 4, TK – Very Good, 3B, TMB – Excellent, 4, TPCB – Good, 3B, TOP – Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, VGI – Excellent, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

CIMB Recommendation Framework
Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

**Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*