



BIOALPHA HOLDINGS BERHAD

(Company No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000	Changes	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000	Changes
Revenue	17,276	20,182	(14%)	43,791	52,191	(16%)
Cost of sales	(10,353)	(11,622)		(27,660)	(30,459)	
Gross profit	6,923	8,560	(19%)	16,131	21,732	(26%)
Other incomes	680	1,012		2,759	2,223	
Administrative expenses	(3,990)	(5,051)		(11,793)	(14,626)	
Profit from operations	3,613	4,521	(20%)	7,097	9,329	(24%)
Finance costs	(97)	(114)		(281)	(203)	
Profit before taxation	3,516	4,407	(20%)	6,816	9,126	(25%)
Taxation	(352)	(343)		(681)	(454)	
Profit for the financial period	3,164	4,064	(22%)	6,135	8,672	(29%)
Profit for the financial period attributable to:						
- Owners of the parent	3,105	4,199	(26%)	5,996	8,677	(31%)
- Non-controlling interests	59	(135)		139	(5)	
	3,164	4,064		6,135	8,672	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.361	0.518		0.697	1.072	
- Diluted	0.310	0.440		0.598	0.911	

Notes:

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of BHB for the financial year ended ("FYE") 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Unaudited As at 30 Sep 2019 RM'000	Audited As at 31 Dec 2018 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	52,029	47,568
Intangible assets	6,719	5,841
Right-of-use assets	5,683	-
Development expenditures	40,017	35,578
	<u>104,448</u>	<u>88,987</u>
CURRENT ASSETS		
Biological assets	586	643
Inventories	12,175	9,028
Trade receivables	41,262	39,532
Other receivables	18,898	17,166
Tax recoverable	744	463
Other investments	11	11
Fixed deposits with licensed banks	10,932	18,591
Cash and bank balances	2,517	4,526
	<u>87,125</u>	<u>89,960</u>
TOTAL ASSETS	<u>191,573</u>	<u>178,947</u>
EQUITY		
Share capital	99,764	99,764
Reserves	63,894	57,857
Equity attributable to owners of the parent	<u>163,658</u>	<u>157,621</u>
Non-controlling interests	(164)	(303)
TOTAL EQUITY	<u>163,494</u>	<u>157,318</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,331	-
Finance lease liabilities	477	416
Bank borrowings	4,356	4,810
Deferred tax liabilities	7,000	6,481
	<u>16,164</u>	<u>11,707</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019 (CONT'D)

	Unaudited As at 30 Sep 2019 RM'000	Audited As at 31 Dec 2018 RM'000
CURRENT LIABILITIES		
Trade payables	4,418	5,031
Other payables	4,421	3,844
Lease liabilities	1,352	-
Finance lease liabilities	183	158
Bank borrowings	1,242	766
Tax payable	299	123
	11,915	9,922
TOTAL LIABILITIES	28,079	21,629
TOTAL EQUITY AND LIABILITIES	191,573	178,947
NET ASSETS PER SHARE (sen)	19.01 ⁽¹⁾	19.20 ⁽²⁾

Notes:

(1) Based on 860,209,032 ordinary shares in BHB as at 30 September 2019.

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

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of BHB for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019

	Audited							Distributable		
	<----- Non-Distributable ----->									
	Share Capital RM'000	Warrant Reserve RM'000	Share issuance Scheme ("SIS") Option Reserve RM'000	Merger Deficits RM'000	Foreign Currency Translation Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2018	87,454	16,853	968	(4,969)	(1)	(16,853)	51,985	135,437	(803)	134,634
Opening balance adjustment from adoption of MFRS 9	-	-	-	-	-	-	(70)	(70)	-	(70)
Balance as at 1 January 2018 (restated)	87,454	16,853	968	(4,969)	(1)	(16,853)	51,915	135,367	(803)	134,564
Profit for the financial year	-	-	-	-	-	-	11,586	11,586	32	11,618
Foreign exchange translation reserve	-	-	-	-	(137)	-	-	(137)	(15)	(152)
Total comprehensive income	-	-	-	-	(137)	-	11,586	11,449	17	11,466
Transaction with owners										
Issuance of ordinary shares	11,882	-	-	-	-	-	-	11,882	-	11,882
Dividends to owners of company	-	-	-	-	-	-	(891)	(891)	-	(891)
Exercise of SIS	428	-	(131)	-	-	-	-	297	-	297
Non-controlling interests arising from additional subscription of share in a subsidiary company	-	-	-	-	-	-	(483)	(483)	483	-
Total transactions with owners	12,310	-	(131)	-	-	-	(1,374)	10,805	483	11,288
Balance as at 31 December 2018	99,764	16,853	837	(4,969)	(138)	(16,853)	62,127	157,621	(303)	157,318

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

	Unaudited									
	<----- Non-Distributable ----->							Distributable		
	Share Capital RM'000	Warrant Reserve RM'000	SIS Option Reserve RM'000	Merger Deficits RM'000	Foreign Currency Translation Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2019	99,764	16,853	837	(4,969)	(138)	(16,853)	62,127	157,621	(303)	157,318
Profit for the financial period	-	-	-	-	-	-	6,135	6,135	-	6,135
Foreign currency translation reserves	-	-	-	-	41	-	-	41	-	41
Total comprehensive income	-	-	-	-	41	-	6,135	6,176	-	6,176
Transaction with owners										
Non-controlling interests arising from additional subscription of share in a subsidiary company	-	-	-	-	-	-	(139)	(139)	139	-
Total transactions with owners	-	-	-	-	-	-	(139)	(139)	139	-
Balance as at 30 September 2019	99,764	16,853	837	(4,969)	(97)	(16,853)	68,123	163,658	(164)	163,494

Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019

	Unaudited Current Period to date 30 Sep 2019 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,816	9,126
Adjustments for:		
Amortisation of development expenditures	2,910	2,603
Amortisation of deferred capital grant	(276)	(321)
Amortisation of biological assets	270	69
Depreciation of property, plant and equipment	4,885	3,849
Fair value gain on biological assets	-	(81)
Fair value gain on plantation expenditure	-	(313)
Gain on disposal of property, plant and equipment	-	(54)
Grant income	-	(198)
Interest expense	281	200
Interest income	(397)	(400)
Property, plant and equipment written off	10	351
Rental income	(25)	(70)
Reversal of impairment losses on trade receivables	(107)	(4)
Unrealised (gain) / loss on foreign exchange	(27)	417
Operating profit before working capital changes	14,340	15,174
Changes in working capital:		
Biological assets	(67)	(155)
Inventories	(3,146)	(3,591)
Trade receivables	(1,624)	(1,443)
Other receivables	(1,731)	1,556
Trade payables	(353)	109
Other payables	841	(823)
Cash generated from operations	8,260	10,827

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

	Unaudited Current Period to date 30 Sep 2019 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(281)	(200)
Interest received	397	400
Rental received	25	70
Tax refund	245	121
Tax paid	(501)	(400)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	8,145	10,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in research and development expenditures	(6,617)	(2,992)
Placement of fixed deposit	-	(100)
Purchase of intangible assets	(877)	-
Purchase of property, plant and equipment	(9,990)	(10,153)
Proceeds from disposal of property, plant and equipment	23	277
Deposits paid for purchase of property, plant and equipment	-	(5,339)
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(17,461)	(18,307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(809)
Decreased / (increased) in fixed deposit pledged and maturity more than 3 months	11,475	(19)
Net changes on banker's acceptance	260	530
Proceeds from issue of share capital	-	154
Repayment of finance lease liabilities	(130)	(309)
Repayment of term loans	(498)	(562)
	<hr/>	<hr/>
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	11,107	(1,015)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

	Unaudited Current Period to date 30 Sep 2019 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2018 RM'000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,791	(8,504)
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	17	(262)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>6,085</u>	<u>24,812</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>7,893</u></u>	<u><u>16,046</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	2,517	5,846
Fixed deposits with licensed banks	<u>10,932</u>	<u>11,222</u>
	13,449	17,068
Less: Fixed deposits pledged with licensed banks	(1,056)	(1,022)
Less: Fixed deposits maturity more than 3 months	<u>(4,500)</u>	<u>-</u>
	<u><u>7,893</u></u>	<u><u>16,046</u></u>

Note:

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019

A1. Accounting policies and methods of computation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for the FYE 31 December 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the FYE 31 December 2018 except as disclosed below:

As of 1 January 2019, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRSs and amendments effective for annual period beginning on or after 1 January 2019:

MFRS 16: Leases

IC Interpretation 23: Uncertainty over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

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

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

MFRS 16 Leases

The Group adopted MFRS 16: *Leases* on 1 January 2019. MFRS 16 supersedes MFRS 117 *Leases* and introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statements of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The changes in accounting policies have been applied retrospectively from 1 January 2019. In accordance with the transition requirements without restating the comparatives.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

A2. Auditors' report of preceding annual financial statements

There was no qualification to the audited consolidated financial statements of the Company for the FYE 31 December 2018.

A3. Seasonal or cyclical factors

The Group's sales typically peak in the third (3rd) and fourth (4th) quarter of the calendar year with strong purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period-to-date.

A5. Material changes in estimates

There were no material changes in estimates of amounts reported in prior interim periods or prior year that would have a material effect on the current quarter's results.

A6. Debt and equity securities

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

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 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000
Malaysia	9,557	13,428	25,992	36,222
Indonesia	1,795	4,324	7,406	10,798
China	5,924	2,430	10,393	5,171
Total	17,276	20,182	43,791	52,191

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

A7. Segmental information (cont'd)

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

	Current quarter ended		Period-to-date	
	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000
Manufacturing & sale of finished health supplement products	10,018	12,005	23,876	31,140
Retail pharmacies	7,258	8,177	19,915	21,051
Total	17,276	20,182	43,791	52,191

A8. Valuation of property, plant and equipment

The Group has not carried out any valuation of its property, plant and equipment in the current quarter.

A9. Capital commitments

	Unaudited Current quarter ended 30 Sep 2019 RM'000	Audited Financial year-to- date 31 Dec 2018 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

A10. Changes in the composition of the Group

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 30 Sep 2019 RM'000	Audited Financial year-to- date 31 Dec 2018 RM'000
Unsecured:		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	<u>500</u>	<u>200</u>

A12. Material events subsequent to the end of the quarter

There were no other material events subsequent to the end of the current quarter and financial period-to-date that have not been reflected in this interim financial report.

A13. Related party transactions

There were no additional related party transaction entered into with related parties during the current financial quarter.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's current quarter and cumulative revenue for the financial period ended ("**FPE**") 30 September 2019 decreased to RM17.28 million and RM43.79 million as compared to RM20.18 million and RM52.19 million in the preceding corresponding FPE 30 September 2018. The softer performance was due to lower contribution from both manufacturing of health supplement products and retail pharmacy segments. Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing and sale of finished health supplement products

The revenue generated from this segment for the current quarter and cumulative quarters amounted to RM10.02 million and RM23.88 million, respectively, as compared to RM12.01 million and RM31.14 million in the preceding corresponding FPE 30 September 2018, representing a decline of RM1.99 million and RM7.26 million.

The lower turnover was mainly due to lower demand from Original Design Manufacturing ("**ODM**") clients in Malaysia and Indonesia, affected by the overall soft consumer sentiment during the period, as well as the absence of stocking up activities during the tax-free period from 1 June 2018 to 31 August 2018. Domestic manufacturing sales for the current quarter and cumulative quarters stood at RM2.30 million and RM6.07 million respectively, as compared to RM5.25 million and RM15.17 million in the preceding corresponding FPE 30 September 2018.

Meanwhile, export sales of health products to China for the current quarter and cumulative quarters increased to RM5.92 million and RM10.39 million the Group fulfilled more order for a new customer secured during the financial period under review.

(ii) Retail pharmacies

The revenue generated from this segment for the current quarter and cumulative quarters amounted to RM7.26 million and RM19.92 million, respectively, as compared to RM8.18 million and RM21.05 million in the preceding corresponding FPE 30 September 2018. The marginal drop reflected more cautious spending by consumers in view of the economic condition.

Gross profit margin decreased to 36.84% in the FPE 30 September 2019 in comparison to 41.64% in the preceding corresponding FPE 30 September 2018. The decline corresponded with the lower revenue base and higher depreciation as well as manufacturing overheads incurred, following the recent upgrading of machineries in the plant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

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

B1. Analysis of performance (cont'd)

Net profit attributable to the owners of the parent for the current quarter and cumulative quarters was RM3.11 million and RM6.00 million, respectively. By comparison, the Group recorded a net profit of RM4.20 million in the preceding year's corresponding quarter and RM8.68 million for the FPE 30 September 2018.

Comparison with immediate preceding quarter's results

The revenue for the third (3rd) quarter ended 30 September 2019 increased by RM3.25 million or 23.16% to RM17.28 million from RM14.03 million in the second (2nd) quarter ended 30 June 2019 due to increase in orders received by the Group during the quarter, in line with the seasonality effect the Group is subjected to.

The Group's business activities are subject to seasonal trends where the first (1st) quarter performance is usually the softest due to fewer working days as a result of festive holidays, as well as lower purchasing activities by customers, having stocked up in the prior two quarters. The Group's business activities typically pick up in the second (2nd) quarter before peaking in the third (3rd) and fourth (4th) quarter of the calendar year with strong purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

B2. Prospects for the financial year ending 31 December 2019

The operating environment remains challenging both for local and overseas markets. Against this backdrop, the Group remains focused on strengthening the manufacturing of health supplement products and retail pharmacy businesses while keeping cost in check.

For the domestic manufacturing business, the Group expects demand from local market to pick up in the final quarter of 2019, in line with the Group's seasonal trend. Over in China, the Group continues to via distributors and partners while at the same time, entering the Business-to-Consumer market to sell house brand products. Overall progress in Indonesia has been muted this year due to slower-than-expected regulatory approvals for the health supplement products. The Group foresees revenue from Indonesia to pick up once more approvals roll in.

On the retail pharmacy business, Bioalpha plans to continue opening more Constant pharmacy outlets. The latest two outlets recently opened within the compound of the premium supermarket chain, Village Grocer, in Central i-City Mall in Shah Alam and in Mid Valley Southkey Mall, Johor Bahru respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)****B2. Prospects for the financial year ending 31 December 2019 (cont'd)**

The agriculture division continues to make progress with land clearing and planting activities taking place at Pasir Raja Herbal Park, Dungun, Terengganu and Desaru Herbal Park, Johor. The Group expects higher harvest tonnage of raw fresh herbs in 2019.

In view of the aforementioned development, the Board of Directors of the Company ("**Board**") opines that the financial performance of the Group for the financial year ending 31 December 2019 to be satisfactory.

B3. Profit forecast or profit guarantee

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

B4. Foreign Exchange Exposure / Hedging policy

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are United States Dollar ("**USD**") and Singapore Dollar ("**SGD**").

The Group have not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Sep	30 Sep	30 Sep	30 Sep
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	9	50	308	160
- (Over) / under provision in previous year	-	293	(146)	294
	<u>9</u>	<u>343</u>	<u>162</u>	<u>454</u>
Deferred tax:				
- Origination and reversal of temporary differences	343	-	519	-
	<u>352</u>	<u>343</u>	<u>681</u>	<u>454</u>
Effective tax rate (%)	10.01	7.78	9.99	4.97

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

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

B5. Taxation (cont'd)

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

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

Meanwhile, the Group’s other subsidiaries are taxed at the statutory rate of 24% on their chargeable incomes.

B6. Status of corporate proposals and utilisation of proceeds

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

B7. Trade receivables

	Unaudited 30 Sep 2019 RM'000
Trade receivables	41,758
Less: Accumulated impairment losses	(496)
	<u>41,262</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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

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

B8. Borrowings

The Group's borrowings as at 30 September 2019 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	183	477	660
Term loans	1,242	4,356	5,598
Total bank borrowings	1,425	4,833	6,258

	Unaudited 30 Sep 2019 RM'000	Audited 31 Dec 2018 RM'000
Total bank borrowings	6,258	6,150
Less: Deposit, bank and cash balances	(13,449)	(23,117)
Net debt	(7,191)	(16,967)
Total equity	163,658	157,621
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and finance leases are 4.60% p.a. and 2.59% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial period ended 30 September 2019 and financial year ended 31 December 2018 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

B9. Material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board is not aware of any other proceedings pending or threatened or of any fact likely to give rise to any other proceedings.

B10. Dividends

The Board did not recommend any dividend during the FPE 30 September 2019 (*FPE 30 September 2018: RM891,000*).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

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

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Sep	30 Sep	30 Sep	30 Sep
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the parent	3,105	4,199	5,996	8,677
Weighted average number of ordinary shares in issue ('000)	860,209	809,945	860,209	809,616
Basic earnings per share (sen)	<u>0.361</u>	<u>0.518</u>	<u>0.697</u>	<u>1.072</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Sep	30 Sep	30 Sep	30 Sep
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the parent	3,105	4,199	5,996	8,677
Weighted average number of ordinary shares in issue ('000)	1,002,842	953,278	1,002,842	952,949
Diluted earnings per share (sen)	<u>0.310</u>	<u>0.440</u>	<u>0.598</u>	<u>0.911</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)

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

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

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

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2018 RM'000
Depreciation and amortisation expenses	2,542	2,145	7,789	6,200
Foreign exchange loss / (gain)				
- Realised	7	(2)	7	508
- Unrealised	(1)	352	(27)	417
Fair value loss / (gain)				
- Biological assets	-	1	-	(81)
- Plantation expenditure	-	(132)	-	(313)
Gain on disposal of property, plant and equipment	-	(54)	-	(54)
Grant expenses	-	-	-	21
Grant income	-	(198)	-	(198)
Interest expenses	97	113	281	200
Interest income	(58)	(117)	(397)	(400)
Property, plant and equipment written off	-	351	10	351
Rental income	(6)	(23)	(25)	(70)
Reversal of impairment losses on trade receivables	(14)	1	(107)	(4)

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.

BIOALPHA HOLDINGS BERHAD (Company No: 201101021398 (949536-X))

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER
ENDED 30 SEPTEMBER 2019 (CONT'D)**

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 November 2019.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 28 November 2019