



## **BIOALPHA HOLDINGS BERHAD**

(Registration No: 201101021398 (949536-X))

**("BHB" OR THE "COMPANY")**

### **INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020**

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	Unaudited 31 Mar 2020 RM'000	Unaudited 31 Mar 2019 RM'000	Changes	Unaudited 31 Mar 2020 RM'000	Unaudited 31 Mar 2019 RM'000	Changes
Revenue	6,532	12,482	(48%)	6,532	12,482	(48%)
Cost of sales	(7,649)	(8,413)		(7,649)	(8,413)	
Gross (loss) / profit	(1,117)	4,069	(127%)	(1,117)	4,069	(127%)
Other incomes	286	1,216		286	1,216	
Administrative expenses	(4,307)	(3,954)		(4,307)	(3,954)	
(Loss) / profit from operations	(5,138)	1,331	(486%)	(5,138)	1,331	(486%)
Finance costs	(167)	(65)		(167)	(65)	
(Loss) / profit before taxation	(5,305)	1,266	(519%)	(5,305)	1,266	(519%)
Taxation	(384)	(322)		(384)	(322)	
(Loss) / profit for the financial period	(5,689)	944	(703%)	(5,689)	944	(703%)
(Loss) / profit for the financial period attributable to:						
- Owners of the parent	(5,503)	858	(741%)	(5,503)	858	(741%)
- Non-controlling interests	(186)	86		(186)	86	
	(5,689)	944		(5,689)	944	
Earnings per share attributable to owners of the parent (sen):						
- Basic	(0.640)	0.100		(0.640)	0.100	
- Diluted	(0.549)	0.086		(0.549)	0.086	

**Notes:**

*The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of BHB for the financial year ended ("FYE") 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

	Unaudited As at 31 Mar 2020 RM'000	Audited As at 31 Dec 2019 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	48,716	48,642
Intangible assets	46,907	44,539
Right-of-use assets	12,686	13,377
Development expenditures	5,891	5,891
	<u>114,200</u>	<u>112,449</u>
<b>CURRENT ASSETS</b>		
Biological assets	585	582
Inventories	14,982	10,137
Trade receivables	38,688	44,630
Other receivables	12,906	13,159
Tax recoverable	369	352
Other investments	11	11
Fixed deposits with licensed banks	6,581	9,682
Cash and bank balances	1,432	2,853
	<u>75,554</u>	<u>81,406</u>
<b>TOTAL ASSETS</b>	<u><b>189,754</b></u>	<u><b>193,855</b></u>
<b>EQUITY</b>		
Share capital	99,764	99,764
Reserves	59,803	65,783
<b>Equity attributable to owners of the parent</b>	<u>159,567</u>	<u>165,547</u>
Non-controlling interests	(469)	(283)
<b>TOTAL EQUITY</b>	<u>159,098</u>	<u>165,264</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	1,989	5,177
Bank borrowings	4,047	4,168
Deferred tax liabilities	8,470	8,108
	<u>14,506</u>	<u>17,471</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020 (CONT'D)**

	Unaudited As at 31 Mar 2020 RM'000	Audited As at 31 Dec 2019 RM'000
<b>CURRENT LIABILITIES</b>		
Trade payables	3,692	4,218
Other payables	4,944	3,884
Lease liabilities	4,178	1,356
Bank borrowings	3,092	1,281
Tax payable	244	381
	16,150	11,120
<b>TOTAL LIABILITIES</b>	30,656	28,591
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>189,754</b>	<b>193,855</b>
<b>NET ASSETS PER SHARE (sen)</b>	18.50 <sup>(1)</sup>	19.22 <sup>(2)</sup>

*Notes:*

(1) Based on 860,209,032 ordinary shares in BHB as at 31 March 2020.

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

*The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of BHB for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020

	Unaudited										
	<----- Non-Distributable ----->										Distributable
	Share Capital RM'000	Treasury Shares 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
Opening balance adjustment from adoption of MFRS 16	-	-	-	-	-	-	-	(329)	(329)	-	(329)
Balance as at 1 January 2019 (restated)	99,764	-	16,853	837	(4,969)	(138)	(16,853)	61,798	157,292	(303)	156,989
Profit for the financial period	-	-	-	-	-	-	-	8,316	8,316	9	8,325
Foreign currency translation reserves	-	-	-	-	-	85	-	-	85	11	96
<b>Total comprehensive income</b>	-	-	-	-	-	85	-	8,316	8,401	20	8,421
<b>Transactions with owners</b>											
Shares repurchased	-	(146)	-	-	-	-	-	-	(146)	-	(146)
<b>Balance as at 31 December 2019</b>	<b>99,764</b>	<b>(146)</b>	<b>16,853</b>	<b>837</b>	<b>(4,969)</b>	<b>(53)</b>	<b>(16,853)</b>	<b>70,114</b>	<b>165,547</b>	<b>(283)</b>	<b>165,264</b>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)

	Unaudited							Distributable			
	<----- Non-Distributable ----->										
	Share Capital	Treasury Shares	Warrant Reserve	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	99,764	(146)	16,853	837	(4,969)	(53)	(16,853)	70,114	165,547	(283)	165,264
Loss for the financial period	-	-	-	-	-	-	-	(5,689)	(5,689)	-	(5,689)
Foreign currency translation reserves	-	-	-	-	-	75	-	(44)	31	-	31
<b>Total comprehensive income</b>	-	-	-	-	-	75	-	(5,733)	(5,658)	-	(5,658)
<b>Transactions with owners</b>											
Shares repurchased	-	(508)	-	-	-	-	-	-	(508)	-	(508)
<b>Balance as at 31 March 2020</b>	<b>99,764</b>	<b>(654)</b>	<b>16,853</b>	<b>837</b>	<b>(4,969)</b>	<b>22</b>	<b>(16,853)</b>	<b>64,381</b>	<b>159,381</b>	<b>(283)</b>	<b>159,098</b>

Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020**

	Unaudited Current Period to date 31 Mar 2020 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(5,305)	1,267
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,025	921
Amortisation of deferred capital grant	(92)	-
Amortisation of biological assets	43	88
Amortisation of right-of-use assets	405	-
Depreciation of property, plant and equipment	1,721	1,552
Interest expense	167	64
Interest income	(71)	(122)
Property, plant and equipment written off	1	10
Rental income	(4)	(9)
Reversal of impairment losses on trade receivables	-	(95)
Unrealised loss / (gain) on foreign exchange	199	(411)
Operating (loss) / profit before working capital changes	(1,911)	3,265
<b>Changes in working capital:</b>		
Biological assets	(23)	(31)
Inventories	(4,845)	(608)
Trade receivables	5,942	5,499
Other receivables	253	(2,894)
Trade payables	(526)	(1,459)
Other payables	1,149	747
Cash generated from operations	39	4,519

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)

	Unaudited Current Period to date 31 Mar 2020 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)</b>		
Interest paid	(112)	(64)
Interest received	71	122
Rental received	4	9
Tax refund	-	219
Tax paid	(175)	(88)
<b>NET CASH (USED IN) / FROM OPERATING ACTIVITIES</b>	<b>(173)</b>	<b>4,717</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition in intangible assets	(2,972)	(5,104)
Purchase of property, plant and equipment	(1,920)	(4,321)
Proceeds from disposal of property, plant and equipment	-	23
Deposits paid for purchase of property, plant and equipment	-	(348)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,892)</b>	<b>(9,750)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decreased in fixed deposit pledged and maturity more than 3 months	11	4,000
Net change of bankers' acceptance	1,184	146
Purchase of treasury shares	(508)	-
Repayment of lease liabilities	(420)	-
Repayment of finance lease liabilities	-	(39)
Repayment of term loans	487	(194)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>754</b>	<b>3,913</b>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

	<b>Unaudited Current Period to date 31 Mar 2020 RM'000</b>	<b>Unaudited Preceding Corresponding Period to date 31 Mar 2019 RM'000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(4,311)	(1,120)
<b>EFFECT OF EXCHANGE TRANSLATION</b>		
<b>DIFFERENCES</b>	(201)	446
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<u>7,969</u>	<u>6,086</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u><u>3,457</u></u>	<u><u>5,412</u></u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:</b>		
Cash and bank balances	1,432	1,868
Fixed deposits with licensed banks	<u>6,581</u>	<u>16,575</u>
	8,013	18,443
Less: Fixed deposits pledged with licensed banks	(1,056)	(1,031)
Less: Fixed deposits maturity more than 3 months	<u>(3,500)</u>	<u>(12,000)</u>
	<u><u>3,457</u></u>	<u><u>5,412</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 2019 and the accompanying explanatory notes attached to this interim financial report.*

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020**

**A1. Accounting policies and methods of computation**

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

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

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

As of 1 January 2020, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

**MFRSs and amendments effective for annual period beginning on or after 1 January 2020:**

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

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

**Standards issued but not yet effective:**

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

**A2. Auditors' report of preceding annual financial statements**

There was no qualification to the audited consolidated financial statements of the Company for the FYE 31 December 2019.

**A3. Seasonal or cyclical factors**

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

**A4. Unusual items**

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

**A5. Material changes in estimates**

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

**A6. Debt and equity securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period-to-date under review except as follows:

- (i) During the financial period ended ("**FPE**") 31 March 2020, the Company has repurchased 3,000,000 (*FPE 31 March 2019: Nil*) of its issued share capital from the open market, at an average price of RM0.17 (*FPE 31 March 2019: RMNil*) per share including transaction cost. The total consideration paid was RM508,191 (*FPE 31 March 2019: RMNil*). The shares repurchased transactions were financed by internal generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 March 2020, the total number of treasury shares held by the Company was 3,761,800 ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)

## A7. Segmental information

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

	Current quarter ended		Period-to-date	
	Unaudited 31 Mar 2020 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2020 RM'000	Unaudited 31 Mar 2019 RM'000
Malaysia	6,345	8,035	6,345	8,035
Indonesia	187	2,542	187	2,542
China	-	1,905	-	1,905
<b>Total</b>	<b>6,532</b>	<b>12,482</b>	<b>6,532</b>	<b>12,482</b>

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

	Current quarter ended		Period-to-date	
	Unaudited 31 Mar 2020 RM'000	Unaudited 31 Mar 2019 RM'000	Unaudited 31 Mar 2020 RM'000	Unaudited 31 Mar 2019 RM'000
Manufacturing & sale of finished health supplement products	2,029	6,526	2,029	6,526
Retail pharmacies	4,503	5,956	4,503	5,956
<b>Total</b>	<b>6,532</b>	<b>12,482</b>	<b>6,532</b>	<b>12,482</b>

## A8. Valuation of property, plant and equipment

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

**A9. Capital commitments**

	Unaudited Current quarter ended 31 Mar 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 RM'000
<b>Authorised and contracted for:</b>		
Purchase of property, plant and equipment	4,500	4,500

**A10. Changes in the composition of the Group**

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

**A11. Contingent liabilities**

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

**A12. Material events subsequent to the end of the quarter**

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

**A13. Related party transactions**

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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

**B1. Analysis of performance**

The Group's current quarter revenue for the FPE 31 March 2020 dropped RM5.95 million or 47.68% to RM6.53 million as compared to RM12.48 million in the preceding corresponding FPE 31 March 2019. The soft performance was on the back of decline in contribution from both the manufacturing of health supplement products and retail pharmacy segments due to impact from the Novel Coronavirus ("**COVID-19**") pandemic which was first detected in December 2019 in China, and the resultant strict containment measures imposed by the authorities across the markets we operate in, including Malaysia.

The Malaysian government had enforced Movement Control Order ("**MCO**") from 18 March 2020 in an effort to curb the spread of virus. The Group was considered an operator under the essential industries and was therefore permitted to continue operating during the MCO, albeit with only 50% workforce along with adoption of stringent safety measures to safeguard the wellbeing of employees.

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

(i) Manufacturing and sale of finished health supplement products

Revenue generated from this segment for the FPE 31 March 2020 was RM2.03 million as compared to RM6.53 million in the preceding corresponding FPE 31 March 2019, representing a decline of RM4.50 million.

The lower turnover was mainly due to weak demand from overseas. There were no orders delivered to China during the quarter under review following quarantine measures in China after the Chinese New Year Holiday to curb COVID-19 spread. This had resulted in the temporary closure of shops and loss of mobility for our clients with disruptions to their marketing and promotional activities during the quarter. Demand from Indonesia was low too as consumer sentiment weakened. As such, the Group focused on fulfilling local orders from the Original Design Manufacturing ("**ODM**") clients, where sales for the FPE 31 March 2020 stood at RM1.85 million as compared to RM2.08 million in the preceding corresponding FPE 31 March 2019.

(ii) Retail pharmacies

Revenue generated from this segment for the FPE 31 March 2020 amounted to RM4.50 million as compared to RM5.96 million in the preceding corresponding FPE 31 March 2019. This was mainly due to much lower sales of house brand health supplement products at designated tourist destination spots which had been closed since January 2020 in the wake of the drop in Chinese tourist numbers due to international travel restrictions.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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

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

(ii) Retail pharmacies (cont'd)

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

Net loss attributable to the owners of the parent for the FPE 31 March 2020 was RM5.50 million. By comparison, the Group recorded a net profit of RM0.94 million in the preceding year's corresponding quarter and RM8.32 million for FY2019.

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

The revenue for the first (1<sup>st</sup>) quarter ended 31 March 2020 decreased by RM11.88 million or 6.54% to RM6.53 million from RM18.41 million in the fourth (4<sup>th</sup>) quarter ended 31 December 2019, due to seasonality factor that was further exacerbated by the COVID-19 pandemic and the resultant MCO.

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

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

The Group expects the operating environment to remain challenging for both local and overseas markets, in line with the prevailing cautious consumer spending against the backdrop of uncertainties arising from the COVID-19 pandemic.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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

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

As for our export business, in view of the current development, the Group anticipates export sales to gradually recover in the second (2<sup>nd</sup>) half of 2020, following trade activities normalization and gradual easing of government containment measures. Specifically in China, the Group continues to work closely with distributors and partners there. Progress in Indonesia, on the other hand, had been muted due to slower-than-expected regulatory approvals for the health supplement products. The Group foresees revenue from Indonesia to pick up once more approvals are secured moving forward.

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

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

Beyond organic growth, the Group continues to actively explore potential mergers and acquisitions ("M&A") opportunities which are earnings-accretive and complementary to our business. While we remain cautious on our capital expenditure spending, we will nonetheless make appropriate investments into expanding the Group's business and enhancing shareholders' value.

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

**B3. Profit forecast or profit guarantee**

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**B4. Foreign Exchange Exposure / Hedging policy**

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

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

**B5. Taxation**

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	-	234	-	234
Deferred tax:				
- Origination and reversal of temporary differences	384	88	384	88
	<u>384</u>	<u>322</u>	<u>384</u>	<u>322</u>
Effective tax rate (%)	-	18.48	-	18.48

Bioalpha East Coast Agro Sdn Bhd ("BECASB"), another wholly-owned subsidiary of the Group, was awarded tax incentive by the Malaysian Investment Development Authority, which allows BECASB to enjoy 100% tax exemption on income after commercial production date is determined by the relevant authorities for a period of ten (10) years.

Bioalpha R&D Sdn Bhd ("BRDSB"), a wholly-owned subsidiary of the Group, was awarded BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn Bhd, which allows BRDSB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years ended 30 June 2018 and 20% concessionary tax rate on statutory income (10) years, upon expiry of the tax exemption period. BRDSB had on 28 November 2017 submitted an application to Malaysian Bioeconomy Development Corporation Sdn Bhd ("Bioeconomy Corp") for the concessionary tax rate of 20% on statutory income for 10 years. The application is currently under review by Bioeconomy Corp, subject to the Ministry of Finance's decision on the concessionary tax rate for BioNexus-status companies.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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

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

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

**B6. Status of corporate proposals and utilisation of proceeds**

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

On 4 June 2020 and 5 June 2020, the Company has announced that it proposed to undertake a Private Placement of up to 10% of the issued shares capital (excluding treasury shares) of the Company to independent third-party investor(s) to be identified at a later date (“Proposed Private Placement”).

On 17 June 2020, the Company has announced that the listing and quotation of up to 109,908,000 new Placement Shares had been approved by Bursa Securities, vide its letter dated 17 June 2020.

**B7. Trade receivables**

	<b>Unaudited 31 Mar 2020 RM'000</b>
Trade receivables	39,371
Less: Accumulated impairment losses	(683)
	<u>38,688</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 FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**B8. Borrowings**

The Group's borrowings as at 31 March 2020 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
<b>Secured</b>			
Term loans	598	4,047	4,645
<b>Unsecured</b>			
Bankers' acceptance	2,494	-	2,494
<b>Total bank borrowings</b>	<u>3,092</u>	<u>4,047</u>	<u>7,139</u>

	Unaudited 31 Mar 2020 RM'000	Audited 31 Dec 2019 RM'000
Total bank borrowings	7,139	5,467
Less: Deposit, bank and cash balances	(8,013)	(12,535)
	<u>(874)</u>	<u>(7,068)</u>
Total equity	159,567	165,547
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 4.97% p.a. and 1.33% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

\* Gearing ratio not applicable for financial period ended 31 March 2020 and financial year ended 31 December 2019 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

**B9. Material litigation**

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

**B10. Dividends**

The Board did not recommend any dividend during the FPE 31 March 2020 (*FPE 31 March 2019: Nil*).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (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
	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net (loss) / profit attributable to owners of the parent	(5,503)	858	(5,503)	858
Weighted average number of ordinary shares in issue ('000)	860,209	860,209	860,209	860,209
Basic earnings per share (sen)	(0.640)	0.100	(0.640)	0.100

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net (loss) / profit attributable to owners of the parent	(5,503)	858	(5,503)	858
Weighted average number of ordinary shares in issue ('000)	1,002,842	1,002,842	1,002,842	1,002,842
Diluted earnings per share (sen)	(0.549)	0.086	(0.549)	0.086

**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	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation expenses	3,102	2,561	3,102	2,561
Unrealised loss / (gain) on foreign exchange	199	(411)	199	(411)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2020 (CONT'D)**

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

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

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest expenses	167	64	167	64
Interest income	(71)	(122)	(71)	(122)
Property, plant and equipment written off	1	10	1	10
Rental income	(4)	(9)	(4)	(9)
Reversal of impairment losses on trade receivables	-	(95)	-	(95)

There was no provision for inventories, gain or loss on disposal of quoted and unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period-to-date.

**C. AUTHORISATION FOR ISSUE**

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 25 June 2020.

By Order of the Board,

**Tan Tong Lang (MAICSA 7045482)**

**Thien Lee Mee (LS0009760)**

Company Secretaries

Kuala Lumpur

Dated: 25 June 2020