



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2015

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2015**

	<----Individual Quarter ---->		<----Cumulative Quarter ---->	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Revenue	8,536	8,069	20,015	18,765
Cost of sales	<u>(4,079)</u>	<u>(4,193)</u>	<u>(9,494)</u>	<u>(9,642)</u>
Gross profit	4,457	3,876	10,521	9,123
Other income	110	2,395	916	4,302
Administration expenses	(1,806)	(4,321)	(5,754)	(9,184)
Other expenses – Listing expenses	<u>(174)</u>	<u>-</u>	<u>(2,355)</u>	<u>-</u>
Profit from operations	2,587	1,950	3,328	4,241
Finance costs	<u>(53)</u>	<u>(44)</u>	<u>(280)</u>	<u>(153)</u>
Profit before taxation	2,534	1,906	3,048	4,088
Taxation	<u>(93)</u>	<u>167</u>	<u>(410)</u>	<u>(354)</u>
Net profit for the financial period, representing total comprehensive income	<u>2,441</u>	<u>2,073</u>	<u>2,638</u>	<u>3,734</u>
Net profit for the financial period attributable to:				
- Owners of the parent	2,552	2,216	2,963	3,831
- Non-controlling interests	<u>(111)</u>	<u>(143)</u>	<u>(325)</u>	<u>(97)</u>
	<u>2,441</u>	<u>2,073</u>	<u>2,638</u>	<u>3,734</u>
Weighted average number of ordinary shares ('000)	463,413	363,413	425,684	363,413
Earnings per share to attributable owners of the parent (sen):				
- Basic	0.551	0.610	0.696	0.105
- Diluted	N/A	N/A	N/A	N/A

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 2014 and the accompanying explanatory notes attached to this interim financial report.

N/A Not applicable.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

	Unaudited As at 30 September 2015 RM'000	Audited As at 31 December 2014 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	25,056	24,303
Development expenditures	9,423	8,076
Biological assets	293	-
	<u>34,772</u>	<u>32,379</u>
CURRENT ASSETS		
Inventories	5,565	4,061
Trade receivables	15,785	12,830
Other receivables	11,768	7,274
Tax recoverable	12	68
Fixed deposits with licensed banks	7,865	1,116
Cash and bank balances	9,148	8,706
	<u>50,143</u>	<u>34,055</u>
TOTAL ASSETS	<u>84,915</u>	<u>66,434</u>
EQUITY		
Share capital	23,171	18,171
Share premium	24,362	11,557
Merger deficits	(4,969)	(4,969)
Retained earnings	32,612	29,649
Equity attributable to owners of the parent	<u>75,176</u>	<u>54,408</u>
Non-controlling interests	147	(128)
TOTAL EQUITY	<u>75,323</u>	<u>54,280</u>
NON-CURRENT LIABILITIES		
Finance lease payables	286	289
Bank borrowings	-	2,253
Deferred tax liabilities	1,957	1,937
	<u>2,243</u>	<u>4,479</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015 (CONT'D)**

	Unaudited As at 30 September 2015 RM'000	Audited As at 31 December 2014 RM'000
CURRENT LIABILITIES		
Trade payables	537	392
Other payables	4,551	5,762
Amount owing to a Director	31	22
Finance lease payables	142	274
Bank borrowings	1,876	1,210
Tax payable	212	15
	<u>7,349</u>	<u>7,675</u>
TOTAL LIABILITIES	<u>9,592</u>	<u>12,154</u>
TOTAL EQUITY AND LIABILITIES	<u>84,915</u>	<u>66,434</u>
NET ASSETS PER SHARE (sen)	16.25	14.94

Note:

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 2014 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2015

	<--- Non-Distributable --->			<-Distributable->		Non-	Total
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Retained Earnings RM'000	Total RM'000	Controlling Interests RM'000	Equity RM'000
Balance as at 1 January 2014	18,171	11,557	(4,969)	23,692	48,451	7	48,458
Net profit/(loss) for the financial period, representing total comprehensive income for the financial period	-	-	-	3,831	3,831	(97)	3,734
Balance as at 30 September 2014	18,171	11,557	(4,969)	27,523	52,282	(90)	52,192
Balance as at 1 January 2015	18,171	11,557	(4,969)	29,649	54,408	(128)	54,280
Net profit/(loss) for the financial period, representing total comprehensive income for the financial period	-	-	-	2,963	2,963	(325)	2,638
Transaction with owners							
Acquisition of non-controlling interest	-	-	-	-	-	600	600
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
Balance as at 30 September 2015	23,171	24,362	(4,969)	32,612	75,176	147	75,323

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 2014 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 2015**

	Current period to date 30 September 2015 RM'000	Preceding corresponding period 30 September 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,048	4,088
Adjustments for:		
Amortisation of development expenditures	968	717
Depreciation of property, plant and equipment	2,530	1,811
Bad debts written off	7	-
Deposit written off	52	-
Impairment of trade receivables	-	144
Interest expenses	280	153
Interest income	(53)	(218)
Inventory written off	2	-
Grant income	(622)	(3,941)
Gain on disposal of property, plant and equipment	(9)	-
Unrealised gain on foreign exchange	(59)	-
Operating profit before working capital changes	6,144	2,754
Changes in working capital:		
Inventories	(1,506)	(569)
Trade receivables	(2,962)	(2,293)
Other receivables	(49)	2,446
Trade payables	145	(377)
Other payables	(674)	(486)
Amount owing to a Director	9	(58)
	(5,037)	(1,337)
Cash from operations	1,107	1,417
Interest paid	(281)	(153)
Interest received	53	217
Tax paid	(138)	(153)
NET CASH FROM OPERATING ACTIVITIES	741	1,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,899)	(2,965)
Deposit paid for property, plant and equipment	(1,162)	(2,125)
Proceed from disposal of property, plant and equipment	9	-
Additional development expenditures	(2,315)	(2,730)
Deposit paid for development expenditure	(3,583)	-
Additional biological assets	(293)	-
NET CASH USED IN INVESTING ACTIVITIES	(10,243)	(7,820)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2015 (CONT'D)**

	Current period to date 30 September 2015 RM'000	Preceding corresponding period 30 September 2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in bankers' acceptances	99	(394)
Acquisition of shares by non-controlling interests	600	-
Dividend paid	(226)	-
Grant received	500	4,518
(Increase)/ Decrease in fixed deposit pledged	(49)	460
Net proceeds from issuance of shares	17,805	-
Repayment of finance lease payables	(459)	(197)
Repayment of term loans	(2,479)	(187)
NET CASH FROM FINANCING ACTIVITIES	15,791	4,200
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,289	(2,292)
EFFECT OF EXCHANGE RATE CHANGES	59	23
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	8,623	10,192
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	14,971	7,923
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	9,148	6,052
Fixed deposit with licensed banks within 3 months	-	2,408
Fixed deposits with licensed banks later than 3 months	7,865	-
	17,013	8,460
Less: Fixed deposit pledged with licensed banks	(865)	(246)
Less: Bank overdraft	(1,177)	(291)
	14,971	7,923

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 2014 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 2015

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2015

A1. Accounting policies and methods of computation

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

The interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the FYE 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies and methods of computation adopted by the Company and its subsidiaries (“**Group**”) in these unaudited condensed interim financial statements are consistent with those adopted in the preparation of the audited consolidated financial statements of the Company for the FYE 31 December 2014, except for the adoption of the following:

MFRS and IC Interpretations (Including The Consequential Amendments)		Effective dates for financial periods beginning on or after
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016

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

MFRS and IC Interpretations (Including The Consequential Amendments)		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2012–2014 Cycle		1 January 2016
Amendments to Investment Entities: Applying the MFRS 10, MFRS Consolidation Exception 12 and MFRS 128		1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

A2. Auditors' report of preceding annual financial statements

There was no qualification to the audited financial statements of the Group for the FYE 31 December 2014.

A3. Seasonal or cyclical factors

The Group's business activity typically peaks in the fourth (4th) quarter of the calendar year in conjunction with year-end and festive promotional activities by its customers.

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 significant changes in estimates of amounts reported in prior interim periods or prior year that have a material effect in 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.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)**A7. Segmental information**

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

	Current quarter ended		Period-to-date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Malaysia	501	3,370	4,335	8,897
Indonesia	4,722	2,760	9,559	7,625
China	3,117	131	5,408	131
Others*	196	1,808	713	2,112
Total	8,536	8,069	20,015	18,765

Note:

* Includes Singapore, Taiwan and Cambodia.

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in a single business segment, i.e. manufacturing and sales of health supplement products.

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

	Current quarter ended 30 September 2015 RM'000	Financial period- to-date 30 September 2015 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

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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 and contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual reporting period date up to the date of this report.

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 related party transactions entered into with related parties during the current quarter.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter and financial period ended 30 September 2015 were RM8.54 million and RM20.02 million respectively with an increase by RM0.47 million or 5.78% and RM1.26 million or 6.66% compared to RM8.07 million and RM18.76 million in the corresponding periods in 2014. The increase was due to the export of our herbal product to China market amounted to RM5.75 million following acceptance of the product by the Chinese consumers.

The Group's profit before tax ("PBT") for the current quarter and financial period ended 30 September 2015 were RM2.53 million and RM3.05 million respectively with an increase of RM0.62 million or 32.94% and decrease of RM1.04 million or 24.55% as compared to RM1.91 million and RM4.09 million in the corresponding period in 2014.

Excluding the one off listing expenses of RM2.36 million, the Group's PBT for the financial period ended 30 September were 5.41 million with an increase of RM1.32 million or 32.27% as compared to RM4.09 million in the corresponding period in 2014.

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B1. Analysis of performance (cont'd)

Comparison with immediate preceding quarter's results

The revenue for the current quarter has increased by RM0.29 million or 3.44% to RM8.54 million from RM8.25 in the second quarter. The PBT for the current quarter has correspondingly increased by RM2.03 million or 408% from 0.50 million to RM2.53 million in the third quarter. The increase was mainly due to the export of our herbal product to China market.

B2. Prospects for the financial year ending 31 December 2015

Our Group has completed the land clearing of 123.5 acres in Pasir Raja, Dungun and commenced farming of our herbal plants thereon. Our Group expects the first harvest of our herbal plants by end of 2015.

The acceptance of our Group's herbal product in China market are well accepted as part of our active campaign promoting our health supplement products in China through our participation in exhibitions held in China's major provinces as part of our on-going market expansion.

Reference is made to the Company's announcement dated 19 August 2015 in relation to the Memorandum of Understanding ("**MOU**") with PUC Founder (MSC) Berhad ("**PUCF**"). There is no material development pertaining to the MOU entered into between the PUCF and our Group.

Barring unforeseen circumstances, our Board of Directors of the Company ("**Board**") is optimistic on our Group's performance for the financial year ending 31 December 2015.

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B3. Profit forecast or profit guarantee

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

B4. Taxation

	Current quarter ended		Financial period-to-date	
	30	30	30	30
	September	September	September	September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
Current tax provision	93	(409)	390	112
Overprovision in prior year		(11)	-	(11)
Deferred tax liability	-	253	20	253
	<u>93</u>	<u>(167)</u>	<u>410</u>	<u>354</u>
Effective tax rate (%)	3.67	(8.76)	13.45	8.66

Bioalpha R&D Sdn Bhd ("**BRSB**"), our wholly-owned subsidiary, was awarded a BioNexus Status by Malaysian Biotechnology Corporation Sdn Bhd, which allows BRSB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years from 30 June 2008 to 30 June 2018.

In addition, Bioalpha International Sdn Bhd ("**BISB**"), our wholly-owned subsidiary, is entitled for a tax incentive under the East Coast Economic Region Development Council Project ("**ECER**") awarded by Malaysia Investment Development Authority, which allows a tax deduction on BISB's investment in Bioalpha East Coast Agro Sdn Bhd ("**BECA**") of RM2.0 million for the effective period up to 31 December 2015.

Meanwhile, our other subsidiaries are taxed at a statutory rate of 25% on their chargeable income.

The effective tax rate of the Group of 3.67% for the current quarter was lower than the statutory rate of 25% mainly due to the non-tax deductible listing expenses.

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B5. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

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

(ii) Utilisation of proceeds

The Company was listed on the ACE Market of Bursa Securities on 14 April 2015. The status of utilisation of the gross proceeds of RM20 million from the public issue as at 30 September 2015 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Deviation		Balance	Estimated Time Frame for Utilisation (from the date of listing)
			RM'00			
	RM'000	RM'000	0	%	RM'000	
Capital expenditure	3,000	-	-	-	3,000	Within 24 months
Research & development expenditure	3,000	3,000	-	-	-	Within 24 months
Repayment of bank borrowings	2,620	2,620	-	-	-	Within 12 months
Working capital	9,080	4,949	-	-	4,131	Within 24 months
Estimated listing expenses	2,300	2,300	-	-	-	Upon listing
Total	20,000	12,869				

B6. Borrowings

The Group's borrowings as at 30 September 2015 are as follows:

	RM'000
Secured	
Finance leases	428
Bank overdraft	1,177
	<u>1,605</u>
Unsecured	
Bankers' acceptances	699
Total bank borrowings	<u>2,304</u>

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B7. 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.

B8. Dividends

The Board did not recommend any dividend during the financial period ended ("FPE") 30 September 2015 (*FPE 30 September 2014: Nil*).

B9. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		Financial period-to-date	
	30	30	30	30
	September	September	September	September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the parent ('000)	2,552	2,216	2,963	3,831
Weighted average number of ordinary shares in issue ('000)	463,413	363,413	425,684	363,413
Basic earnings per share (sen)	0.551	0.610	0.696	0.105

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B10. Disclosure on selected expense/(income) items as required by the Listing Requirements

Included in PBT are the following expense/(income) items:

	<----Individual Quarter----->		<----Cumulative Quarter----->	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Interest income	(44)	(171)	(53)	(218)
Foreign exchange (gain)/loss	(46)	(5)	(59)	(5)
Gain on disposal of property, plant and equipment	(9)	-	(9)	-
Other income	(11)	(2,219)	(795)	(4,079)
Interest expenses	53	44	280	153
Depreciation and amortisation expenses	1,223	855	3,498	2,528
Written off and provision of receivables	7	144	59	144
Inventories written off	2	-	2	-

There were no exceptional items for the current quarter and financial period-to-date.

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B11. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 30 September 2015 into realised and unrealised profits is as follows:

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Retained earnings of the Group:		
- Realised	26,450	23,560
- Unrealised	5,300	5,552
Total	31,750	29,112
Add: Consolidation adjustments	862	537
Total retained earnings of the Group	32,612	29,649

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
26 November 2015