BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

	<--------- *Individual Quarter* --------->			<--------- *Cumulative Quarter* --------->		
	30 Sept 2017 RM'000	**30 Sept 2016 RM'000**	**Changes**	**30 Sept 2017 RM'000**	**30 Sept 2016 RM'000**	**Changes**
Revenue	14,088	12,088	17%	35,876	30,962	16%
Cost of sales	(7,788)	(6,613)		(20,628)	(18,676)	
Gross profit	6,300	5,475	15%	15,248	12,286	24%
Other income	1,031	1,592		3,779	4,566	
Administrative expenses	(4,076)	(4,309)		(15,224)	(12,580)	
Profit from operations	3,255	2,758	18%	3,803	4,272	(11%)
Finance costs	(43)	(40)		(139)	(141)	
Profit before tax	3,212	2,718	18%	3,664	4,131	(11%)
Taxation	(92)	(50)		(172)	(168)	
Net profit for the financial period, representing total comprehensive income for the financial period	3,120	2,668	17%	3,492	3,963	(12%)
Net profit for the financial period attributable to:						
- Owners of the parent	3,142	2,782	13%	3,656	4,300	(15%)
- Non-controlling interests	(22)	(114)		(164)	(337)	
	3,120	2,668		3,492	3,963	
Weighted average number of ordinary shares ('000)	708,969	511,029		782,302	506,856	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.443	0.544		0.467	0.848	
- 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 2016 and the accompanying explanatory notes attached to this interim financial report.*

N/A Not applicable.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Unaudited As at 30 Sept 2017 RM'000	Audited As at 31 Dec 2016 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	37,418	29,292
Development expenditures	30,961	18,568
Goodwill	5,334	5,334
	73,713	53,194
CURRENT ASSETS		
Biological assets	250	302
Inventories	8,878	7,946
Trade receivables	27,036	29,084
Other receivables	10,773	16,823
Tax recoverable	543	566
Fixed deposits with licensed banks	22,025	3,895
Cash and bank balances	4,352	2,035
	73,857	60,651
TOTAL ASSETS	147,570	113,845
EQUITY		
Share capital	41,830	33,333
Share premium	46,525	24,725
Merger deficits	(4,969)	(4,969)
Foreign currency translation reserves	(53)	(27)
Retained earnings	48,585	44,929
Equity attributable to owners of the parent	131,918	97,991
Non-controlling interests	(758)	(595)
TOTAL EQUITY	131,160	97,396
NON-CURRENT LIABILITIES		
Finance lease payables	512	95
Bank borrowings	2,777	2,985
Deferred tax liabilities	2,373	2,343
	5,662	5,423

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (CONT'D)

	Unaudited As at 30 Sept 2017 RM'000	Audited As at 31 Dec 2016 RM'000
CURRENT LIABILITIES		
Trade payables	4,981	3,723
Other payables	5,220	6,589
Amount owing to a director	1	10
Finance lease payables	203	158
Bank borrowings	336	541
Tax payable	7	5
	10,748	11,026
TOTAL LIABILITIES	16,410	16,449
TOTAL EQUITY AND LIABILITIES	147,570	113,845
NET ASSETS PER SHARE (sen)	16.32 (1)	17.93 (2)

Notes:

(1) Based on 808,149,132 ordinary shares in BHB as at 30 September 2017.

(2) Based on 666,665,655 ordinary shares in BHB as at 31 December 2016.

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 2016 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

	<------------- Non-Distributable	-------------	------------>	<------- Distributable	------->			
	Share Capital RM'000	**Share Premium RM'000**	**Merger Deficits RM'000**	**Foreign Currency Translation Reserves RM'000**	**Retained Earnings RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
Balance as at 1 January 2016	23,171	24,362	(4,969)	-	36,440	79,004	(277)	78,727
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	-	4,300	4,300	(337)	3,963
Total comprehensive income	-	-	-	-	4,300	4,300	(337)	3,963
Transaction with owners								
Issue of ordinary shares								
- Acquisition of a subsidiary company	943	4,057	-	-	-	5,000	-	5,000
- Private placement	886	4,961	-	-	-	5,847	-	5,847
- Bonus issue	8,333	(8,333)	-	-	-	-	-	-
- Share issuance expenses	-	(322)	-	-	-	(322)	-	(322)
Net change of non-controlling interests	-	-	-	-	-	-	148	148
Change in ownership interest in a subsidiary company	-	-	-	-	-	-	(148)	(148)
Total transactions with owners	10,162	363	-	-	-	10,525	-	10,525
Balance as at 30 September 2016	33,333	24,725	(4,969)	-	40,740	93,829	(614)	93,215

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

	<------------- Non-Distributable		------------->	<------- Distributable	------->			
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Foreign Currency Translation Reserves RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2017	33,333	24,725	(4,969)	(27)	44,929	97,991	(595)	97,396
Net loss for the financial period, representing total comprehensive income for the financial period	-	-	-	-	3,492	3,499	-	3,492
Foreign currency translation reserves	-	-	-	(26)	-	(26)	-	(26)
Total comprehensive income	-	-	-	(26)	3,492	3,466	-	3,466
Transaction with owners								
Issue of ordinary shares								
- Right issue	6,667	20,000	-	-	-	26,667	-	26,667
- Employee share option scheme	1,830	-	-	-	-	1,830	-	1,830
- Fair value loss on share-based payment	-	1,800	-	-	-	1,800	-	1,800
Net change of non-controlling interests	-	-	-	-	164	164	(163)	1
Total transactions with owners	8,497	21,800	-	-	164	30,461	(163)	30,298
Balance as at 30 September 2017	41,830	46,525	(4,969)	(53)	48,585	131,918	(758)	131,160

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 2016 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

	Current Year to date 30 Sept 2017 RM'000	Preceding Corresponding Year to date 30 Sept 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,664	4,131
Adjustments for:		
Amortisation of development expenditures	2,416	1,207
Amortisation of biological assets	52	-
Depreciation of property, plant and equipment	3,214	2,637
Gain on disposal of business	-	(54)
Gain on disposal of property, plant and equipment	(57)	(1)
Grant income	(313)	(3,575)
Fair value loss on share-based payment	1,800	-
Interest expense	139	141
Interest income	(649)	(223)
Inventories written off	-	2
Property, plant and equipment written off	5	-
Unrealised loss / (gain) on foreign exchange	237	(5)
Operating profit before working capital changes	10,508	4,260
Changes in working capital:		
Inventories	(931)	(1,518)
Trade receivables	2,366	(571)
Other receivables	6,050	5,583
Trade payables	1,259	(351)
Other payables	(1,364)	(774)
Director	(9)	(21)
Cash generated from operations	17,879	6,608
Grant received	313	3,756
Interest paid	(139)	(141)
Interest received	649	223
Tax paid	(393)	(391)
Tax refund	275	141
NET CASH FROM OPERATING ACTIVITIES	18,584	10,196

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

	Current Year to date 30 Sept 2017 RM'000	Preceding Corresponding Year to date 30 Sept 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional of development expenditures	(14,809)	(7,876)
Placement of fixed deposit	-	(20)
Purchase of property, plant and equipment	(11,697)	(1,858)
Proceeds from disposal of property, plant and equipment	-	2
Net cash inflows arising from acquisition of a subsidiary company	-	(4,711)
Deposits paid for purchase of property, plant and equipment	-	(2,581)
NET CASH USED IN INVESTING ACTIVITIES	(26,506)	(17,044)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes on banker's acceptance	-	(194)
Dividends paid	-	(417)
Drawdown of term loan	-	936
Increased in fixed deposit pledged	-	20
Proceeds from issue of share capital	8,497	10,847
Proceeds from issue of share premium	20,000	-
Share issuance expenses	-	(322)
Repayment of finance lease payables	(412)	(66)
Repayment of term loans	(406)	(768)
NET CASH FROM FINANCING ACTIVITIES	27,679	10,036
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	19,757	3,188
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(213)	5
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	5,930	12,116
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	25,474	15,309

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

	Current Year to date 30 Sept 2017 RM'000	Preceding Corresponding Year to date 30 Sept 2016 RM'000
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	4,352	11,299
Fixed deposits with licensed banks	22,025	4,895
	26,377	16,194
Less: Fixed deposits pledged with licensed banks	(903)	(885)
	25,474	15,309

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 2016 and the accompanying explanatory notes attached to this interim financial report.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017

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, Rule 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 2016 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 consolidated 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 2016, 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 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 107	Statements of Cash Flows - Disclosed Initiative	1 January 2017
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

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

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Group is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

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

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below (cont'd):

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, 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 statement 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 Directors of the Company will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

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 2016.

A3. Seasonal or cyclical factors

The Group's business activities typically peak in the third (3rd) and fourth (4th) quarter of the calendar year in conjunction with year-end 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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

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

The number of shares allotted for the exercise of warrants and employee share option ("SIS") are as below:

Date	No. of shares allotted	Remark
11 July 2017	200,000	Exercise SIS
26 July 2017	100,000	Exercise SIS
24 August 2017	600,000	Exercise SIS
6 September 2017	500,000	Exercise SIS
13 September 2017	50,000	Exercise SIS
26 September 2017	600,000	Exercise SIS

There were no other 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		Year-to-date	
	30 Sept 2017 RM'000	30 Sept 2016 RM'000	30 Sept 2017 RM'000	30 Sept 2016 RM'000
Malaysia	6,820	4,931	18,473	15,534
Indonesia	3,378	3,531	10,206	9,250
China	3,890	3,626	7,197	6,178
Total	14,088	12,088	35,876	30,962

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

A7. Segmental information (cont'd)

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

	Current quarter ended		Year-to-date	
	30 Sept 2017 RM'000	30 Sept 2016 RM'000	30 Sept 2017 RM'000	30 Sept 2016 RM'000
Manufacturing & sale of finished health supplement products	10,338	8,860	24,562	19,584
Retail pharmacies	3,750	3,228	11,314	11,378
Total	14,088	12,088	35,876	30,962

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 Sept 2017 RM'000	Financial year-to-date 30 Sept 2017 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.

A11. Contingent liabilities

	Current quarter ended 30 Sept 2017 RM'000	Financial year-to-date 30 Sept 2017 RM'000
Unsecured:		
Corporate guarantees given to the licensed banks for credit facilities granted to subsidiary companies	3,000	3,000

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

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.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter was RM14.09 million as compared to RM12.09 million in the preceding corresponding quarter and its cumulative revenue was RM35.88 million as compared to RM30.96 million for the financial period ended ("FPE") 30 September 2016, representing an increase of RM2.00 million or 16.54% and RM4.91 million or 15.87%, respectively. 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 9-month FPE 30 September 2017 was RM24.56 million as compared to RM19.58 million in the preceding corresponding 9-month FPE 30 September 2016, representing an increase of RM4.98 million or 25.42%.

The higher revenue was mainly due to increase in export sales of health supplement products. The export sales to Indonesia for the 9-month FPE 30 September 2017 increased from RM9.25 million to RM10.21 million or 10.34% as compared to the preceding corresponding period. For the same period, the export sales to China for the 9-month FPE 30 September 2017 increased from RM6.18 million to RM7.20 million or 16.49% as compared to the preceding corresponding period.

(ii) Retail pharmacies

The revenue generated from this segment for the 9-month FPE 30 September 2017 was RM11.31 million as compared to RM11.38 million in the preceding corresponding period. In addition, the Group has also recorded increase in franchise fees after successfully franchising out more outlets during the financial period under review.

Gross profit margin was higher at 42.50% in the 9-month FPE 30 September 2017 in comparison to 39.68% in the preceding corresponding period as a result of improvement from the manufacturing division.

To recap, the Group recorded higher administrative expenses during the first (1st) quarter ended 31 March 2017 mainly due to fair value charges for the Share Issuance Scheme granted to the employees amounted to RM1.80 million. In the same quarter, the Group also incurred one-off corporate expenses in relation to the Rights Issue exercise amounted to RM0.55 million.

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

B1. Analysis of performance (cont'd)

Comparison with immediate preceding quarter's results

The revenue for the third (3rd) quarter ended 30 September 2017 has increased by RM2.00 million or 16.55% from RM12.09 million to RM14.09 million as compared to the second (2nd) quarter ended 30 June 2017.

The Group's business activities typically peak in the third (3rd) and fourth (4th) quarter of the calendar year in conjunction with year-end festive promotional activities by its customers.

In tandem with the increase in revenue, the PBT for the third (3rd) quarter ended 30 September 2017 has increased by RM0.49 million or 18.16% to RM3.21 million from RM2.72 million in the second (2nd) quarter ended 30 June 2017.

B2. Prospects for the financial period ending 31 December 2017

The Group target to launch 6 new products a year in 2017 and 2018 for the Indonesian market and as of to-date, the Group has already successfully launched 3 new products. Given the past track record in Indonesia, the Group are positive that the new products will generate interest in the market and stimulate new growth demand. Meanwhile, the production for the Indonesian market shall be supported by the Group's new manufacturing facility in Kampar, Pekan Riau of Sumatra. By having the production facility in Indonesia, it will shorten the otherwise lengthy new product registration period, thereby enabling us to introduce more products in shorter time and grow the market share at a quicker pace.

In China, progressive and aggressive marketing campaigns and participation in trade exhibitions have proven to be effective with encouraging sales growth from this market. As part of the Group strategy to differentiate ourselves from competitors and to grow the Chinese market, the Group have identified new target market segment, that is, the Muslim-majority provinces such as Xinjiang, Qinghai, Shaanxi, and Gansu, where the Group would leverage on our "Halal" certified products that appeal to the Muslim population in these regions. As of to-date, the Group has introduced 5 new products this year for this market.

For the domestic market, the Group has unveiled 7 new products. This will enhance the current product offering at our Constant pharmacy outlets and other major pharmacies. The Group is working diligently to grow the pharmacy business via franchising and have identified Perak and Johor, in addition to Kelantan and Terengganu, as the new target markets. Having focused a big part of 2016 on rebranding, refurbishing and market positioning activities, the Group intend to channel the efforts on expansion and branding activities this year in order to reap greater benefits in the future.

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

B2. Prospects for the financial period ending 31 December 2017 (cont'd)

The growth of the Group's retail pharmacy business will also be driven by the e-Constant initiative, an online virtual shop with referral rewards programme, which the Group launched a few months back. The Group have received positive feedback so far and are working closely with the strategic partner, ANGKASA (the National Co-operative Movement of Malaysia), to promote the e-Constant platform to its 8 million co-operative members. This is expected to boost the sales of the pharmacy division.

On the agriculture side, the Group have begun the Phase II land clearing activities at the 879.5-acre of land in Pasir Raja, Dungun. The Group will plant herbs such as Tongkat Ali, Kacip Fatimah, Betik Sekaki, Lada Hitam, Durian Belanda, Pokok Kari, Mas Cotek and Serai, which are high in demand. The Group target to clear 200 acres of land in Pasir Raja, Dungun by year-end.

As for the development of botanical drugs, the Group is in the process of making Investigational New Drug Application for clinical trials on human beings.

In view of the business potential, the Board of Directors of the Company ("**Board**") is optimistic on the Group's performance for the financial year ending 31 December 2017.

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 Sept 2017 RM'000	**30 Sept 2016 RM'000**	**30 Sept 2017 RM'000**	**30 Sept 2016 RM'000**
Tax expense recognised in profit or loss:				
- Current tax provision	54	50	134	138
- Under provision in prior financial period	8	-	8	-
- Deferred tax liability	30	-	30	30
	92	50	172	168
Effective tax rate (%)	2.86	1.84	4.69	4.07

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

B4. Taxation (cont'd)

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 ending 30 June 2018 and 20% concessionary tax rate of 20% on statutory income (10) years upon expiry of the tax exemption period.

Bioalpha East Coast Agro Sdn Bhd ("**BECASB**"), another wholly-owned subsidiary of the Group, was awarded Pioneer Status by the Malaysian Investment Development Authority, which allows BECASB to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years.

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

B5. Status of corporate proposals and utilisation of proceeds

(i) Utilisation of proceeds

On 10 January 2017, the Company completed the renounceable Rights Issue of 133,333,131 Rights Share(s) together with 133,333,131 Warrants at an issue price of RM0.20 on the basis of 1 Rights Share for every 5 Bioalpha Shares held together with 1 Warrant for every 1 Rights Share subscribed. The Right Share(s) with Warrants were listed and quoted on the ACE Market of Bursa Securities.

The status of utilisation of the proceeds of approximately RM26.67 million is as follow:

No.	Purpose	Approved Utilisation RM'000	Actual Utilisation	Balance RM'000	Intended time Frame for Utilisation (from 10 January 2017)
(a)	Production of new products	13,500	(8,500)	5,000	Within 18 months
(b)	Capital expenditure	3,500	(2,500)	1,000	Within 18 months
(c)	Expansion of agriculture business operations	8,500	(504)	7,996	Within 18 months
(d)	Working capital	512	(512)	-	Within 6 months
(e)	Estimated expenses	655	(655)	-	Within 1 month
	Total	26,667	(12,671)	13,996	

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

B6. Borrowings

The Group's borrowings as at 30 September 2017 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	203	512	715
Term loans	336	2,777	3,113
Total bank borrowings	539	3,289	3,828

	30 Sept 2017 RM'000	30 Sept 2016 RM'000
Total bank borrowings	3,828	3,610
Total equity	131,160	93,215
Gearing ratio (times)	0.03	0.04

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 has declared a first interim single-tier dividend of RM0.001 per ordinary share in respect of financial year ending 31 December 2017. The dividend will be paid on 8 January 2018 to shareholders whose name appear in the Record of Depositors at close of business on 20 December 2017. There was no dividend paid during the FPE 30 September 2017 *(FPE 30 September 2016: Nil)*.

B9. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	30 Sept 2017 RM'000	30 Sept 2016 RM'000	30 Sept 2017 RM'000	30 Sept 2016 RM'000
Net profit attributable to owners of the parent	3,142	2,782	3,656	4,300
Weighted average number of ordinary shares in issue ('000)	708,969	511,029	782,302	506,856
Basic earnings per share (sen)	0.443	0.544	0.467	0.848

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

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 Sept 2017 RM'000	**30 Sept 2016 RM'000**	**30 Sept 2017 RM'000**	**30 Sept 2016 RM'000**
Interest income	(196)	(77)	(649)	(223)
Foreign exchange (gain) / loss				
- Realised	(62)	5	(168)	(130)
- Unrealised	(77)	5	237	(5)
Fair value loss on share-based payment	-	-	1,800	-
Grant income	(107)	(995)	(313)	(3,224)
Grant expenses	-	1,209	-	3,224
Gain on disposal of property, plant and equipment	-	-	(57)	(1)
Inventories written off	-	2	-	2
Other income	(589)	(651)	(2,592)	(1,104)
Property, plant and equipment written off	-	-	5	-
Interest expenses	43	41	139	141
Depreciation and amortisation expenses	2,086	1,307	5,629	3,844

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.

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

B11. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 30 September 2017 into realised and unrealised profits is as follows:

	As at 30 September 2017 RM'000	**As at 30 September 2016 RM'000**
Retained earnings of the Group:		
- Realised	45,932	34,986
- Unrealised	2,086	2,691
Total	47,863	37,677
Add: Consolidation adjustments	567	3,063
Total retained earnings of the Group	48,585	40,740

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 27 November 2017.

By Order of the Board,

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

Kuala Lumpur

Dated: 27 November 2017