



**BIOALPHA HOLDINGS BERHAD**  
(Company No. 949536-X)  
**(“BHB” OR THE “COMPANY”)**

**INTERIM FINANCIAL REPORT FOR THE  
THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2016**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3<sup>rd</sup>) QUARTER ENDED 30 SEPTEMBER 2016**

	<---Individual Quarter --->		<----Cumulative Quarter ---->	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Revenue	12,088	8,536	30,962	20,015
Cost of sales	<u>(6,613)</u>	<u>(4,079)</u>	<u>(18,676)</u>	<u>(9,494)</u>
Gross profit	5,475	4,457	12,286	10,521
Other income	1,592	110	4,566	916
Administration expenses	(4,309)	(1,806)	(12,580)	(5,754)
Other expenses – Listing expenses	<u>-</u>	<u>(174)</u>	<u>-</u>	<u>(2,355)</u>
Profit from operations	2,758	2,587	4,272	3,328
Finance costs	<u>(40)</u>	<u>(53)</u>	<u>(141)</u>	<u>(280)</u>
Profit before tax	2,718	2,534	4,131	3,048
Taxation	<u>(50)</u>	<u>(93)</u>	<u>(168)</u>	<u>(410)</u>
Net profit for the financial period, representing total comprehensive income for the financial period	<u>2,668</u>	<u>2,441</u>	<u>3,963</u>	<u>2,638</u>
Net profit for the financial period attributable to:				
- Owners of the parent	2,782	2,552	4,300	2,963
- Non-controlling interests	<u>(114)</u>	<u>(111)</u>	<u>(337)</u>	<u>(325)</u>
	<u>2,668</u>	<u>2,441</u>	<u>3,963</u>	<u>2,638</u>
Weighted average number of ordinary shares ('000)	511,029	463,413	506,856	425,684
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.544	0.551	0.848	0.696
- 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 2015 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 2016**

	<b>Unaudited As at 30 September 2016 RM'000</b>	<b>Audited As at 31 December 2015 RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	28,075	26,903
Development expenditures	19,639	12,971
Goodwill	5,334	-
	53,048	39,874
<b>CURRENT ASSETS</b>		
Biological assets	267	283
Inventories	8,702	4,664
Trade receivables	20,531	19,250
Other receivables	8,806	10,717
Tax recoverable	479	141
Fixed deposits with licensed banks	4,895	7,965
Cash and bank balances	11,298	5,803
	54,978	48,823
<b>TOTAL ASSETS</b>	<b>108,026</b>	<b>88,697</b>
<b>EQUITY</b>		
Share capital	33,333	23,171
Share premium	24,725	24,362
Merger deficits	(4,969)	(4,969)
Retained earnings	40,740	36,440
<b>Equity attributable to owners of the parent</b>	93,829	79,004
Non-controlling interests	(614)	(277)
<b>TOTAL EQUITY</b>	93,215	78,727
<b>NON-CURRENT LIABILITIES</b>		
Finance lease payables	137	250
Bank borrowings	2,722	692
Deferred tax liabilities	2,686	2,645
	5,545	3,587

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016 (CONT'D)**

	<b>Unaudited As at 30 September 2016 RM'000</b>	<b>Audited As at 31 December 2015 RM'000</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	3,741	178
Other payables	4,774	5,134
Amount owing to a Director	-	22
Finance lease payables	206	144
Bank borrowings	545	846
Tax payable	-	59
	9,266	6,383
<b>TOTAL LIABILITIES</b>	<b>14,811</b>	<b>9,970</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108,026</b>	<b>88,697</b>
<b>NET ASSETS PER SHARE (sen)</b>	18.24 <sup>(1)</sup>	17.05 <sup>(2)</sup>

Notes: (1) Based on number of shares 666,665,655 as at 30/9/2016.

(2) Based on number of shares 463,413,114 as at 31/12/2015.

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 2015 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 (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2016

	<----- Non-Distributable ----->			<-Distributable->		Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Retained Earnings RM'000	Total RM'000		
Balance as at 1 January 2015	18,171	11,557	(4,969)	29,649	54,408	(128)	54,280
Net profit for the financial period, representing total comprehensive income for the financial period	-	-	-	2,963	2,963	(325)	2,638
<b>Transaction with owners</b>							
Change in ownership interest in a subsidiary company	-	-	-	-	-	600	600
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
<b>Total transactions with owners</b>	5,000	12,805	-	-	17,805	600	18,405
<b>Balance as at 30 September 2015</b>	<b>23,171</b>	<b>24,362</b>	<b>(4,969)</b>	<b>32,612</b>	<b>75,176</b>	<b>147</b>	<b>75,323</b>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)**

	<----- Non-Distributable ----->			<-Distributable->		Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Retained Earnings RM'000	Total 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 period, representing total comprehensive income for the financial period	-	-	-	4,300	4,300	(337)	3,963
<b>Transaction with owners</b>							
Acquisition of subsidiary company	-	-	-	-	-	(148)	(148)
Acquisition of non-controlling interest	-	-	-	-	-	148	148
Share issued for acquisition of subsidiary	943	4,057	-	-	5,000	-	5,000
Issuance of ordinary shares	886	4,961	-	-	5,847	-	5,847
Bonus issue	8,333	(8,333)	-	-	-	-	-
Share issued expenses	-	(322)	-	-	(322)	-	(322)
<b>Total transactions with owners</b>	<b>10,162</b>	<b>363</b>	<b>-</b>	<b>-</b>	<b>10,525</b>	<b>-</b>	<b>10,525</b>
<b>Balance as at 30 September 2016</b>	<b>33,333</b>	<b>24,725</b>	<b>(4,969)</b>	<b>40,740</b>	<b>93,829</b>	<b>(614)</b>	<b>93,215</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 2015 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3<sup>RD</sup>)  
QUARTER ENDED 30 SEPTEMBER 2016**

	Current period 30 September 2016 RM'000	Preceding corresponding period 30 September 2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	4,131	3,048
<b>Adjustments for:</b>		
Amortisation of development expenditures	1,207	968
Depreciation of property, plant and equipment	2,637	2,530
Receivables written off	-	7
Deposit written off	-	52
Inventory written down	2	2
Interest expenses	141	280
Interest income	(223)	(53)
Grant income	(3,575)	(622)
Gain on disposal of property, plant and equipment	(1)	(9)
Gain on disposal of business	(54)	-
Unrealised gain on foreign exchange	(5)	(59)
Operating profit before working capital changes	4,260	6,144
Changes in working capital:		
Inventories	(1,518)	(1,506)
Trade receivables	(571)	(2,962)
Other receivables	5,583	(49)
Trade payables	(351)	145
Other payables	(774)	(674)
Director	(21)	9
	2,348	(5,037)
Cash generated from operations	6,608	1,107
Grant received	3,756	500
Interest paid	(141)	(281)
Interest received	223	53
Tax paid	(391)	(138)
Tax refund	141	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	10,196	1,517

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3<sup>RD</sup>)  
QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)**

	<b>Current quarter 30 September 2016 RM'000</b>	<b>Preceding corresponding quarter 30 September 2015 RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,858)	(2,899)
Placement of fixed deposit	(20)	-
Proceeds from disposal of property, plant and equipment	2	9
Additional development expenditures	(7,876)	(5,898)
Deposit paid for property, plant and equipment	(2,581)	(1,162)
Additional biological assets	-	(293)
Net cash outflow on acquisition of a subsidiary	(4,711)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(17,044)</b>	<b>(10,243)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of shares by non-controlling interests	-	600
Drawdown of term loan	936	-
Dividend paid	(417)	(226)
Increase in fixed deposit pledged	20	(49)
Net proceeds from issuance of shares	10,847	17,805
Net changes in bankers' acceptances	(194)	99
Repayment of finance lease payables	(66)	(459)
Repayment of term loans	(768)	(2,479)
Share issuance expenses	(322)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>10,036</b>	<b>15,291</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,189</b>	<b>6,289</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>5</b>	<b>59</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>12,116</b>	<b>8,623</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>15,308</b>	<b>14,971</b>



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3<sup>RD</sup>)  
QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)**

	<b>Current quarter 30 September 2016 RM'000</b>	<b>Preceding corresponding quarter 30 September 2015 RM'000</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:</b>		
Cash and bank balances	11,298	9,148
Fixed deposits with licensed banks	4,895	7,865
Less: Bank overdraft	-	(1,177)
	<u>16,193</u>	<u>15,836</u>
Less: Fixed deposits pledged with licensed banks	(885)	(865)
	<u>15,308</u>	<u>14,971</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 2015 and the accompanying explanatory notes attached to this interim financial report.*

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2016**

**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3<sup>RD</sup>) QUARTER ENDED 30 SEPTEMBER 2016**

**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 2015 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 2015, except for the adoption of the following:

<b>MFRS and IC Interpretations (Including The Consequential Amendments)</b>		<b>Effective dates for financial periods beginning on or after</b>
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

**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.

**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 2015.

**A3. Seasonal or cyclical factors**

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

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**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**

The listing of and quotation for 166,665,655 new BHB shares pursuant to the proposed Bonus Issue was completed on 13 September 2016.

There were no other issuance, cancellation, repurchase, resale and repayment of debt for the current quarter.

**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 ended	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Malaysia	4,931	501	15,534	4,335
Indonesia	3,531	4,722	9,250	9,559
China	3,626	3,117	6,178	5,408
Others*	-	196	-	713
<b>Total</b>	<b>12,088</b>	<b>8,536</b>	<b>30,962</b>	<b>20,015</b>

Note:

\* Includes Singapore and Taiwan.

**A7. Segmental information (cont'd)**

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

	Current quarter ended		Period-to-date ended	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Manufacturing & sale of finished health supplement products	8,860	8,410	19,584	19,657
Retail pharmacies	3,228	126	11,378	358
<b>Total</b>	<b>12,088</b>	<b>8,536</b>	<b>30,962</b>	<b>20,015</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.

**A9. Capital commitments**

	Current quarter ended 30 Sept 2016 RM'000	Financial period- to-date 30 Sept 2016 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.

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**A11. Contingent liabilities**

	<b>Current quarter ended 30 Sept 2016 RM'000</b>	<b>Financial period- to-date 30 Sept 2016 RM'000</b>
<b>Unsecured:</b>		
Corporate guarantees given to the license banks for credit facilities granted to subsidiary companies	<u>3,000</u>	<u>3,000</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.

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

**B1. Analysis of performance**

The Group's revenue for the current quarter was RM12.09 million compared to RM8.53 million in the preceding corresponding quarter and its cumulative revenue was RM30.96 million compared to RM20.02 million for the financial period ended ("FPE") 30 September 2016, representing an increase of RM3.55 million or 41.57% and RM10.94 million or 54.65% respectively. Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing & sale of finished health supplement products

The revenue generated from this segment for the FPE 30 September 2016 was RM19.58 million as compared to RM19.66 million in the preceding corresponding period in 2015, representing a decrease of RM0.08 million or 0.41%.

The lower revenue was mainly due to slight decline in export sales of health supplement products. The export sales to China for FPE 30 September 2016 increase 14.24% by comparison. The preceding years corresponding period. While, the export sales to Indonesia for FPE 30 September 2016 decrease 3.23% by comparison the preceding year's corresponding period.

Retail pharmacies

The revenue generated from this segment for FPE 30 September 2016 was RM11.38 million as compared to RM0.36 million in the preceding corresponding period in 2015, representing an increase of RM11.02 million.

To recap, the Group completed the acquisition of Mediconstant Holdings Sdn Bhd ("Mediconstant") in January 2016. Mediconstant had 12 pharmacies under its stable then. The Group currently has 14 pharmacies operating under the brand "Constant".

Of the 14 pharmacies, 13 are in Klang Valley with the latest 14th outlet just opened recently in Tanah Merah, Kelantan.

Gross profit margin was lower at 39.68% in FPE 30 September 2016 by comparison to 52.57% a year ago. The decline is well within expectation, having considered that the gross profit margin of retail pharmacy is generally lower than that of manufacturing of health supplement products. Although the retail pharmacy has lower gross profit margin, the division serves as a strategic distribution channel to promote the Group's house brand products – Apotec and NuShine – directly to consumers.



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

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

The Group's profit before tax ("**PBT**") for the current quarter and FPE 30 September 2016 was RM2.72 million and RM4.13 million, an increase of RM0.19 million or 7.50% and RM1.08 million or 35.41% as compared to RM2.53 million and RM3.05 million in the preceding corresponding quarter, and FPE 30 September 2015.

The Group recorded a higher administration expenses during the financial period mainly due to new recruitment in Research & Development department, the Group's expansion program, and advertising and promotion expenses for the rebranding of the retail pharmacies business. The Group also incurred the one off corporate expenses in relation to the acquisition of Mediconstant and the Bonus Issue during the financial period.

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

The revenue for the 9 months' financial period ended ("FPE") 30 September 2016 has increased by RM12.09 million to RM30.96 or 64.07% from RM18.87 million for the 6 months for FPE 30 June 2016. The PBT for the 9 months FPE 30 September 2016 has increased by RM2.72 million from RM1.41 million in the 6 months FPE 30 June 2016 to RM4.13 million.

The increase mainly driven by the increase in export to China as compared to preceding quarter.

**B2. Prospects for the financial year ending 31 December 2016**

The first half of 2016 has been much of a consolidation period for us with the inclusion of Constant Pharmacy into the enlarged family. We have launched active rebranding and marketing activities for the outlets, as well as refurbishing the older ones. These are necessary investments to strengthen the brand in order to reap greater benefits in the future. The Group intention is to grow the pharmacy business via franchise. Franchising allows us to grow the number of outlets much faster without burdening the balance sheet, but yet retain control over the management of the outlets and growth direction.

The Group will have a new manufacturing facility in Indonesia to accelerate growth potential. PT. HMM serves as part of the plan to further grow and strengthen the presence in Indonesia. A key benefit of having the facility in the country is the significant reduction in the time-to-market for the new products. It allows us to introduce more products in shorter time and grow the market share at a quicker pace.

The Group's herbal products are well-accepted in China as a result of the active marketing campaign in promoting the Group's health supplement products through participation in exhibitions held in China. Going forward, we are confident to achieve better performance in the second half of 2016 as historically, business activities are more robust towards the later part of the year. As part of the Group strategy, the Group focus will be more in China's Muslim provinces.

The Group has started with Phase II land clearing of 879.5 acres in Pasir Raja, Dungun. The Group planting will include Tongkat Ali, Kacip Fatimah, Betik Sekaki, Lada Hitam, Assam Gelugor and Kunyit which are highly in demand.

We are in the process of Investigation New Drug for human clinical trial, such as the evaluation of dossier for application of Clinical Trial.

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 2016.

**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
	Sept	Sept	Sept	Sept
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000

Tax expense recognised in profit or loss:

Current tax provision	50	93	138	390
Deferred tax liability	-	-	30	20
	<u>50</u>	<u>93</u>	<u>168</u>	<u>410</u>

Effective tax rate (%)

	1.84	3.67	4.07	13.45
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Bioalpha R&D Sdn Bhd ("**BRSB**"), the Group wholly-owned subsidiary, was awarded a BioNexus Status by Malaysian Bioeconomy Development 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.

Meanwhile, the Group other subsidiaries are taxed at a statutory rate of 24% on their chargeable income.

**B5. Status of corporate proposals and utilisation of proceeds**

**Status of corporate proposals**

- On 27 May 2016, BHB announced to undertake the following:
  - a) Proposed bonus issue of 166,666,666 new ordinary shares of RM0.05 each in the Company (“BHB Shares”) (“Bonus Shares”) on the basis of one (1) Bonus Share for every three (3) existing BHB Shares held at an entitlement date to be determined later (“Proposed Bonus Issue”); and
  - b) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 500,000,000 BHB Shares to RM100,000,000 comprising 2,000,000,000 BHB Shares (“Proposed Increase in Authorised Share Capital”); and
  - c) Proposed amendment to the Memorandum of Association (“MOA”) of the Company to facilitate the Proposed Increase in Authorised Share Capital (“Proposed MOA Amendment”).

(collectively referred to as the “Proposals”)
- On 13 July 2016, Bursa Securities has approved the following:
  - a) Listing of up to 166,666,666 new BHB Shares to be issued pursuant to the Proposed Bonus Issue; and
  - b) Listing of such number of new BHB Shares representing up to 30% of the issued and paid-up ordinary share capital of BHB (excluding treasury shares) to be issued pursuant to the Proposed SIS.
- On 13 September 2016, the Bonus Issue has been completed following the listing of and quotation for 166,665,655 Bonus Issue to the ACE Market of Bursa Securities.

**B5. Status of corporate proposals and utilisation of proceeds (cont'd)**

**Status of corporate proposals (cont'd)**

- On 7 September 2016, BHB announced to undertake the following:  
  
BHB announced to undertake a renounceable right issue 133,333,131 new Bioalpha Shares (“Rights Share(s)”) together with 133,333,131 free new detachable Warrants (“Warrants”) on the basis of 1 Rights Share for every 5 Bioalpha Shares held together with 1 Warrant for every Rights Share subscribed by the existing shareholders of Bioalpha on an entitlement date to be determined by the Board and announced later (“Proposed Rights Issue with Warrants”)
- On 13 October 2016, Bursa Securities has approved the following:  
  
Proposed renounceable right issue of 133,333,131 new Bioalpha Shares (“Rights Share(s)”) together with 133,333,131 free new detachable Warrants (“Warrants”) at an issue price to be determined later on the basis of 1 rights share for every 5 Bioalpha shares held together with 1 warrant for every 1 rights share subscribed.
- On 15 November 2016, the resolution of Proposed Right issue was approved by the Company’s shareholder by way of voting on poll at the Company’s extraordinary general meeting.

**B6. Borrowings**

The Group’s borrowings as at 30 September 2016 are as follows:

	Short Term RM’000	Long Term RM’000	Total RM’000
<b>Secured</b>			
Finance leases	206	137	343
Banker’s acceptance	200	-	200
Term loans	345	2,721	3,066
<b>Total bank borrowings</b>	<b>751</b>	<b>2,858</b>	<b>3,609</b>

The Group does not have any unsecured borrowings as at 30 September 2016.

	30 Sept 2016 RM’000	30 Sept 2015 RM’000
Total bank borrowings	3,609	2,304
Total equity	93,215	75,323
Gearing ratio (times)	0.04	0.03

**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 FPE 30 September 2016 (*FPE 30 September 2015: Nil*).

**B9. Earnings per share**

The basic earnings per share are calculated as follows:

	Current quarter ended		Financial year-to-date	
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Net profit attributable to owners of the parent ('000)	2,782	2,552	4,300	2,963
Weighted average number of ordinary shares in issue ('000)	511,029	463,413	506,856	425,684
Basic earnings per share (sen)	0.544	0.551	0.848	0.696

**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 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Interest income	(77)	(44)	(223)	(53)
Foreign exchange (gain)/ loss				
- Realised	5	-	(130)	-
- Unrealised	5	(46)	(5)	(59)
Gain on disposal of property, plant and equipment	-	(9)	(1)	(9)
Grant income	(995)	-	(3,224)	-
Other income	(651)	(11)	(1,104)	(795)
Interest expenses	41	53	141	280
Grant expenses	1,209	-	3,224	-
Depreciation and amortisation expenses	1,307	1,223	3,844	3,498
Written off and provision of receivables	-	7	-	59
Inventories written off	2	2	2	2

There were 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.

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**B11. Disclosure of realised and unrealised profits**

The breakdown of the retained earnings of the Group as at 30 September 2016 into realised and unrealised profits is as follows:

	<b>As at 30 Sept 2016 RM'000</b>	<b>Audited As at 31 December 2015 RM'000</b>
Retained earnings of the Group:		
- Realised	34,986	37,703
- Unrealised	2,691	(2,549)
Total	<u>37,677</u>	<u>35,154</u>
Add: Consolidation adjustments	3,063	1,286
Total retained earnings of the Group	<u><u>40,740</u></u>	<u><u>36,440</u></u>

**C. AUTHORIZATION FOR ISSUE**

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 21 November 2016.

By Order of the Board,

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

Kuala Lumpur  
**21 November 2016**