BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2017

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2017

	<--------- *Individual Quarter* --------->			<--------- *Cumulative Quarter* --------->		
	31 Dec 2017 RM'000	**31 Dec 2016 RM'000**	**Changes**	**31 Dec 2017 RM'000**	**31 Dec 2016 RM'000**	**Changes**
Revenue	18,910	16,762	13%	54,785	47,724	15%
Cost of sales	(12,151)	(9,506)		(32,869)	(28,182)	
Gross profit	6,759	7,256	(7%)	21,916	19,542	12%
Other income	3,381	3,286		8,278	7,852	
Administrative expenses	(4,231)	(6,572)		(20,501)	(19,152)	
Profit from operations	5,909	3,970	49%	9,693	8,242	18%
Finance costs	(51)	(27)		(190)	(168)	
Profit before tax	5,858	3,943	49%	9,503	8,074	18%
Taxation	(1,647)	361		(1,819)	193	
Net profit for the financial period, representing total comprehensive income for the financial period	4,211	4,304	(2%)	7,684	8,267	(7%)
Net profit for the financial period attributable to:						
- Owners of the parent	4,433	4,529	(2%)	8,070	8,829	(9%)
- Non-controlling interests	(222)	(225)		(386)	(562)	
	4,211	4,304		7,684	8,267	
Weighted average number of ordinary shares ('000)	808,431	666,666		788,725	666,666	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.548	0.679		1.023	1.324	
- Diluted	0.465	N/A		0.865	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 31 DECEMBER 2017

	Unaudited As at 31 Dec 2017 RM'000	Audited As at 31 Dec 2016 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	36,900	29,292
Development expenditures	30,532	18,568
Goodwill	5,334	5,334
	72,766	53,194
CURRENT ASSETS		
Biological assets	353	302
Inventories	7,286	7,946
Trade receivables	32,721	29,084
Other receivables	15,719	16,823
Tax recoverable	603	566
Fixed deposits with licensed banks	18,743	3,895
Cash and bank balances	7,013	2,035
	82,438	60,651
TOTAL ASSETS	155,204	113,845
EQUITY		
Share capital	42,142	33,333
Share premium	46,525	24,725
Merger deficits	(4,969)	(4,969)
Foreign currency translation reserves	(63)	(27)
Retained earnings	52,132	44,929
Equity attributable to owners of the parent	135,767	97,991
Non-controlling interests	(981)	(595)
TOTAL EQUITY	134,786	97,396
NON-CURRENT LIABILITIES		
Finance lease payables	322	95
Bank borrowings	2,630	2,985
Deferred tax liabilities	3,956	2,343
	6,908	5,423

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONT'D)

	Unaudited As at 31 Dec 2017 RM'000	Audited As at 31 Dec 2016 RM'000
CURRENT LIABILITIES		
Trade payables	4,779	3,723
Other payables	7,876	6,589
Amount owing to a director	-	10
Finance lease payables	329	158
Bank borrowings	526	541
Tax payable	-	5
	13,510	11,026
TOTAL LIABILITIES	20,418	16,449
TOTAL EQUITY AND LIABILITIES	155,204	113,845
NET ASSETS PER SHARE (sen)	16.78 (1)	14.70 (2)

Notes:

(1) Based on 809,249,132 ordinary shares in BHB as at 31 December 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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	-	-	-	-	8,489	8,489	(565)	7,924
Foreign exchange translation reserve	-	-	-	(27)	-	(27)	-	(27)
Total comprehensive income	-	-	-	(27)	8,489	8,462	(565)	7,897
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	-	-	-	-	-	-	247	247
Total transactions with owners	10,162	363	-	-	-	10,525	247	10,772
Balance as at 31 December 2016	33,333	24,725	(4,969)	(27)	44,929	97,991	(595)	97,396

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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	-	-	-	-	8,012	8,012	-	8,012
Foreign currency translation reserves	-	-	-	(36)	-	(36)	-	(36)
Total comprehensive income	-	-	-	(36)	8,012	7,976	-	7,976
Transaction with owners								
Dividends to owners of the Company	-	-	-	-	(809)	(809)	-	(809)
Issue of ordinary shares								
- Right issue	6,667	20,000	-	-	-	26,667	-	26,667
- Employee share option scheme	2,142	-	-	-	-	2,142	-	2,142
- Fair value loss on share-based payment	-	1,800	-	-	-	1,800	-	1,800
Net change of non-controlling interests	-	-	-	-	-	-	(386)	(386)
Total transactions with owners	8,809	21,800	-	-	(809)	29,800	(386)	29,414
Balance as at 31 December 2017	42,142	46,525	(4,969)	(63)	52,132	135,767	(981)	134,786

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2017

	Current Year to date 31 Dec 2017 RM'000	Preceding Corresponding Year to date 31 Dec 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,503	8,074
Adjustments for:		
Amortisation of development expenditures	2,999	2,349
Amortisation of biological assets	55	-
Bad debts written off	1	8
Depreciation of property, plant and equipment	4,398	3,829
Gain on disposal of business	-	(54)
Gain on disposal of property, plant and equipment	-	(1)
Grant income	(420)	(5,006)
Fair value loss on share-based payment	1,800	-
Impairment losses on trade receivables	126	184
Insurance claim received	(7)	-
Interest expense	187	165
Interest income	(830)	(266)
Inventories written off	-	10
Property, plant and equipment written off	5	239
Rental income	(38)	-
Reversal of impairment losses on trade receivables	(41)	-
Unrealised loss / (gain) on foreign exchange	1,363	(1,010)
Operating profit before working capital changes	19,101	8,521
Changes in working capital:		
Biological assets	(106)	(89)
Inventories	661	(1,422)
Trade receivables	(4,010)	(8,359)
Other receivables	4,189	(44)
Trade payables	1,056	(607)
Other payables	(1,010)	859
Director	(10)	(22)
Cash generated from / (used in) operations	19,871	(1,163)

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2017 (CONT'D)

	Current Year to date 31 Dec 2017 RM'000	Preceding Corresponding Year to date 31 Dec 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Grant received	420	5,079
Interest paid	(187)	(165)
Interest received	830	266
Rental received	38	-
Tax paid	(317)	(496)
Tax refund	213	178
NET CASH FROM OPERATING ACTIVITIES	20,868	3,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in research and development expenditures	(14,963)	(7,876)
Purchase of property, plant and equipment	(11,468)	(4,258)
Proceeds from disposal of property, plant and equipment	-	1
Net cash inflows arising from acquisition of a subsidiary company	-	289
Deposits paid for purchase of property, plant and equipment	(1,796)	(4,321)
NET CASH USED IN INVESTING ACTIVITIES	(28,227)	(16,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes on banker's acceptance	-	200
Dividends paid	-	(417)
Drawdown of term loan	-	1,250
Increased in fixed deposit pledged	(18)	(20)
Proceeds from issue of share capital	8,808	5,847
Proceeds from issue of share premium	20,000	-
Share issuance expenses	-	(323)
Repayment of finance lease payables	(219)	(156)
Repayment of term loans	(369)	(1,199)
NET CASH FROM FINANCING ACTIVITIES	28,202	5,429

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2017 (CONT'D)

	Current Year to date 31 Dec 2017 RM'000	Preceding Corresponding Year to date 31 Dec 2016 RM'000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	20,843	(7,037)
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(1,035)	(27)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	5,045	12,116
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	24,853	5,052
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	7,013	2,042
Fixed deposits with licensed banks	18,743	3,895
	25,756	5,937
Less: Fixed deposits pledged with licensed banks	(903)	(885)
	24,853	5,052

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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:

<u>MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)</u>

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.

<u>MFRS 15 *Revenue from Contracts with Customers*</u>

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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):

<u>MFRS 16 *Leases*</u>

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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
12 October 2017	100,000	Exercise SIS
06 November 2017	1,000,000	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	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Malaysia	10,273	5,677	28,745	21,211
Indonesia	3,315	4,268	13,521	13,518
China	5,322	6,817	12,519	12,995
Total	18,910	16,762	54,785	47,724

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Manufacturing & sale of finished health supplement products	12,572	12,745	36,691	32,329
Retail pharmacies	6,338	4,017	18,094	15,395
Total	18,910	16,762	54,785	47,724

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 31 Dec 2017 RM'000	Financial year-to-date 31 Dec 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

On 25 September 2017, BHB had incorporated a new wholly-owned subsidiary, Bioalpha (HK) Limited **("BHK")**, in Hong Kong with the issued share capital of HKD2,000,000.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2017 (CONT'D)

A11. Contingent liabilities

	Current quarter ended 31 Dec 2017 RM'000	Financial year-to-date 31 Dec 2017 RM'000
Unsecured:		
Corporate guarantees given to the licensed banks for credit facilities granted to subsidiary companies	3,000	3,000

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 RM18.91 million as compared to RM16.76 million in the preceding corresponding quarter and its cumulative revenue was RM54.79 million as compared to RM47.72 million for the FYE 31 December 2016, representing an increase of RM2.15 million or 12.83% and RM7.07 million or 14.82%, 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 FYE 31 December 2017 was RM36.69 million as compared to RM32.33 million in the preceding corresponding FYE 31 December 2016, representing an increase of RM4.36 million or 13.49%.

The higher revenue was mainly due to increase in sales of health supplement products. The sales in Malaysia for the FYE 31 December 2017 increased from RM21.21 million to RM28.75 million or 35.55% as compared to the preceding corresponding year. The Group's existing customers have seen an uptick in their sales in 2017.

(ii) Retail pharmacies

The revenue generated from this segment for the FYE 31 December 2017 was RM18.09 million as compared to RM15.40 million in the preceding corresponding FYE 31 December 2016, representing an increase of RM2.69 million or 17.47%. In addition, the Group has also recorded increase in franchise fees after successfully franchising out more outlets during the financial year under review.

Gross profit margin was 40.00% in the FYE 31 December 2017 in comparison to 40.95% in the preceding corresponding FYE 31 December 2016.

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 fourth (4^{th}) quarter ended 31 December 2017 has increased by RM4.82 million or 34.21% from RM14.09 million to RM18.91 million as compared to the third (3^{rd}) quarter ended 30 September 2017.

The Group's business activities typically peak in the third (3^{rd}) and fourth (4^{th}) 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 fourth (4^{th}) quarter ended 31 December 2017 has increased by RM2.65 million or 82.55% to RM5.60 million from RM3.21 million in the third (3^{rd}) quarter ended 30 September 2017.

B2. Prospects for the financial period ending 31 December 2018

The Group remains positive on the outlook for the domestic market as it expects both the manufacturing segment and retail pharmacy business to continue doing well in 2018. For the manufacturing segment, growth is driven by an increase in demand from existing Original Design Manufacturing **("ODM")** customers as well as new ODM customers secured during the year. The Group's existing customers experienced uptick in sales in 2017 and this is expected to prevail going into 2018, reflecting solid demand for products formulated by the R&D team at Bioalpha. Additionally, the Group is also in discussions with several potential clients are already underway in order to grow its customer base and product offerings.

Another growth factor for manufacturing involves the Group's strategy to increase revenue from house brand products by leveraging on its own retail pharmacy chain. The Group rolled out 7 new products in 2017 to enhance the product offerings at the Constant pharmacy outlets and plans to launch more new house brand products in 2018 as these carry higher profit margins. Overall, the Group's outlook on its local manufacturing segment is upbeat, underpinned by increase in ODM sales and higher proportion of house brand sales through the retail arm's contributions.

As for the retail pharmacy business, the Group continues its efforts in strengthening the presence of its Constant pharmacies via franchising and prospective acquisition exercise. The Group's expansion strategy focuses on opening new outlets in locations outside the Klang Valley, where the competition is less stiff and Constant pharmacies can offer better value-added services such as free consultation, free basic check-ups and special discounts on member days. The Group is currently in talks with several prospective franchisees for the opening of new Constant pharmacy outlets with Perak, Kelantan, Terengganu and Johor being the target markets. At the same time, the Group is also constantly exploring opportunities for acquisition to fast track its retail pharmacy chain growth.

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

B2. Prospects for the financial period ending 31 December 2018 (cont'd)

Additionally, the expansion of the Group's retail pharmacy business will be driven by its e-Constant initiative, an online virtual e-commerce store with referral rewards programme for cooperative members, which the Group launched in 2017. Promotional and marketing activities are ongoing to sign up more cooperative members to operate the virtual stores.

Over in China, the Group continues to sell its health supplement products in the Southern part of China (such as Guangzhou and Shenzhen) via the appointed distributors. As for the new target market comprising Muslim-majority provinces – Xinjiang, Qinghai, Shaanxi & Gansu, the Group has already appointed distributors in respective provinces and are working closely with them to promote Bioalpha's Halal certified products. We are optimistic on the prospect of this new segment although we are also cognizant that it would take time to educate the consumers and develop the market. As of to-date, the Group has introduced 5 new products for this market.

For its Indonesian market, the Group has successfully launched several new products in 2017 and targets to launch another 6 new products in 2018. Meanwhile, its manufacturing facility in Kampar is currently producing functional food and health supplement products. With this facility, the Group expects to introduce new products to the market at a faster pace as it shortens the otherwise lengthy registration process. The Group expects revenue from Indonesia to increase once the Kampar facility secured more product registration approvals.

On the agriculture side, the Phase II land clearing activities at the 879.5-acre of land in Pasir Raja, Dungun, Terengganu is currently ongoing. 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 targets to clear 200 acres of land in Pasir Raja, Dungun by end of 2018. With more herbs reaching maturity stage in 2018, coupled with the overall increase in planted acreage, the Group expects to harvest greater tonnage of raw fresh herbs in 2018 by comparison to 2017.

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 aforementioned growth prospects across the business divisions, the Board of Directors of the Company **("Board")** is optimistic on the Group's performance for the financial year ending 31 December 2018.

B3. Profit forecast or profit guarantee

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

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (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")**.

The Group and the Company 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 year-to-date**	
	31 Dec 2017 RM'000	**31 Dec 2016 RM'000**	**31 Dec 2017 RM'000**	**31 Dec 2016 RM'000**
Tax expense recognised in profit or loss:				
- Current tax provision	84	(135)	218	3
- Under provision in prior financial period	2	399	10	399
	86	264	228	402
Deferred tax:				
- Origination and reversal of temporary differences	1,576	(37)	1,606	(7)
- Over provision in prior years	(15)	(588)	(15)	(588)
	1,561	(625)	1,591	(595)
	1,647	(361)	1,819	(193)
Effective tax rate (%)	28.12	(9.16)	19.14	(2.40)

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

B5. 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.

B6. 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 RM'000	Balance RM'000	Intended time Frame for Utilisation (from 10 January 2017)
(a)	Production of new products	13,500	(11,000)	2,500	Within 18 months
(b)	Capital expenditure	3,500	(3,500)	-	Within 18 months
(c)	Expansion of agriculture business operations	8,500	(3,504)	4,996	Within 18 months
(d)	Working capital	512	(512)	-	Within 6 months
(e)	Estimated expenses	655	(655)	-	Within 1 month
	Total	26,667	(19,171)	7,496	

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

B7. Borrowings

The Group's borrowings as at 31 December 2017 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	329	322	651
Term loans	526	2,630	3,156
Total bank borrowings	855	2,952	3,807

	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Total bank borrowings	3,807	3,779
Total equity	134,786	97,740
Gearing ratio (times)	0.03	0.04

B8. 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.

B9. Dividends

The Board has declared a first interim single-tier dividend of RM0.001 per ordinary share on 809,249,720 ordinary shares, amounting to RM809,249.72 in respect of financial year ending 31 December 2017. The dividend was subsequently paid on 8 January 2018 to shareholders whose name appear in the Record of Depositors at close of business on 20 December 2017. *(FYE 31 December 2016: Nil)*.

B10. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Net profit attributable to owners of the parent	4,433	4,529	8,070	8,829
Weighted average number of ordinary shares in issue ('000)	808,431	666,666	788,725	666,666
Basic earnings per share (sen)	0.548	0.679	1.023	1.324

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

B10. Earnings per share (cont'd)

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Net profit attributable to owners of the parent	4,433	4,529	8,070	8,829
Weighted average number of ordinary shares in issue ('000)	952,514	666,666	932,808	666,666
Diluted earnings per share (sen)	0.465	-	0.865	-

B11. 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-->*	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Bad debts written off	-	8	1	8
Depreciation and amortisation expenses	1,756	2,334	7,397	6,178
Foreign exchange (gain) / loss				
- Realised	(3)	-	(171)	-
- Unrealised	276	(1,005)	1,363	(1,010)
Fair value loss on share-based payment	-	-	1,800	-
Gain on disposal of property, plant and equipment	-	-	(57)	(1)
Grant expenses	-	1,276	1,171	4,500
Grant income	(107)	(1,782)	(1,591)	(5,006)
Impairment losses on trade receivables	125	184	128	184
Interest expenses	48	24	171	165
Interest income	(183)	(43)	(830)	(266)

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

B11. Disclosure on selected expense/(income) items as required by the Listing Requirements (cont'd)

	<--Individual Quarter-->		*<--Cumulative Quarter-->*	
	31 Dec 2017 RM'000	**31 Dec 2016 RM'000**	**31 Dec 2017 RM'000**	**31 Dec 2016 RM'000**
Inventories written off	-	8	-	10
Property, plant and equipment written off	-	239	-	239
Reversal of impairment losses on trade receivables	(41)	-	(41)	-

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.

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 December 2017 into realised and unrealised profits is as follows:

	As at 31 December 2017 RM'000	**As at 31 December 2016 RM'000**
Retained earnings of the Group:		
- Realised	45,691	42,260
- Unrealised	(1,363)	1,010
Total	44,328	43,270
Add: Consolidation adjustments	7,804	2,000
Total retained earnings of the Group	52,132	45,270

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

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 26 February 2018.

By Order of the Board,

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

Kuala Lumpur

Dated: 26 February 2018