



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2015

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2015

	<----Individual Quarter ---->		<----Cumulative Quarter ---->	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Revenue	8,252	8,126	11,479	10,695
Cost of sales	(3,479)	(3,731)	(5,415)	(5,448)
Gross profit	4,773	4,395	6,064	5,247
Other income	177	99	806	1,906
Administration expenses	(2,121)	(2,045)	(3,948)	(4,863)
Other expenses – Listing expenses	(2,181)	-	(2,181)	-
Profit from operations	648	2,449	741	2,290
Finance costs	(149)	(93)	(228)	(109)
Profit before taxation	499	2,356	513	2,181
Taxation	(274)	(520)	(317)	(521)
Net profit for the financial period, representing total comprehensive income	225	1,836	196	1,660
Net profit for the financial period attributable to:				
- Owners of the parent	396	1,799	410	1,615
- Non-controlling interests	(171)	37	(214)	45
	225	1,836	196	1,660
Weighted average number of ordinary shares ('000)	449,127	363,413	406,507	363,413
Earnings per share to attributable owners of the parent (sen):				
- Basic	0.088	0.495	0.101	0.444
- Diluted	N/A	N/A	N/A	N/A

Notes:

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of BHB for the financial year ended ("FYE") 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

N/A Not applicable.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Unaudited As at 30 June 2015 RM'000	Audited As at 31 December 2014 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	25,803	24,303
Development expenditures	10,979	8,076
	<u>36,782</u>	<u>32,379</u>
CURRENT ASSETS		
Inventories	6,645	4,061
Trade receivables	13,567	12,830
Other receivables	9,843	7,274
Tax recoverable	2	68
Fixed deposits with licensed banks	9,066	1,116
Cash and bank balances	7,384	8,706
	<u>46,507</u>	<u>34,055</u>
TOTAL ASSETS	<u>83,289</u>	<u>66,434</u>
EQUITY		
Share capital	23,171	18,171
Share premium	24,362	11,557
Merger deficits	(4,969)	(4,969)
Retained earnings	30,059	29,649
Equity attributable to owners of the parent	<u>72,623</u>	<u>54,408</u>
Non-controlling interests	258	(128)
TOTAL EQUITY	<u>72,881</u>	<u>54,280</u>
NON-CURRENT LIABILITIES		
Finance lease payables	258	289
Bank borrowings	-	2,253
Deferred tax liabilities	1,957	1,937
	<u>2,215</u>	<u>4,479</u>

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

	Unaudited As at 30 June 2015 RM'000	Audited As at 31 December 2014 RM'000
CURRENT LIABILITIES		
Trade payables	986	392
Other payables	4,542	5,762
Amount owing to a Director	45	22
Finance lease payables	110	274
Bank borrowings	2,349	1,210
Tax payable	161	15
	8,193	7,675
TOTAL LIABILITIES	10,408	12,154
TOTAL EQUITY AND LIABILITIES	83,289	66,434
NET ASSETS PER SHARE (sen)	15.67	14.94

Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of BHB for the FYE 31 December 2014 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2015

	<--- Non-Distributable --->			<--Distributable-->		Non-	Total
	Share Capital RM'000	Share Premium RM'000	Merger Deficits RM'000	Retained Earnings RM'000	Total RM'000	Controlling Interests RM'000	Equity RM'000
Balance as at 1 January 2014	18,171	11,557	(4,969)	23,692	48,451	7	48,458
Net profit for the financial year, representing total comprehensive income for the financial period	-	-	-	1,615	1,615	45	1,660
Balance as at 30 June 2014	18,171	11,557	(4,969)	25,307	50,066	52	50,118
Balance as at 1 January 2015	18,171	11,557	(4,969)	29,649	54,408	(128)	54,280
Net profit/(loss) for the financial period, representing total comprehensive income for the financial period	-	-	-	410	410	(214)	196
Transaction with owners							
Acquisition of non-controlling interest	-	-	-	-	-	600	600
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
Balance as at 30 June 2015	23,171	24,362	(4,969)	30,059	72,623	258	72,881

Note:

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2015

	Current period to date 30 June 2015 RM'000	Preceding corresponding period 30 June 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	513	2,181
Adjustments for:		
Amortisation of development expenditures	635	390
Depreciation of property, plant and equipment	1,640	1,283
Receivables written off	52	-
Interest expenses	228	109
Interest income	(9)	(46)
Grant income	(503)	(1,732)
Unrealised gain on foreign exchange	(14)	-
Operating profit before working capital changes	2,542	2,185
Changes in working capital:		
Inventories	(2,584)	196
Trade receivables	(737)	(927)
Other receivables	(2,621)	(1,185)
Trade payables	594	61
Other payables	(791)	(478)
Amount owing to Director	22	(26)
	(6,117)	(2,359)
Cash used in operations	(3,575)	(174)
Interest paid	(228)	(109)
Interest received	9	46
Tax paid	(85)	(121)
NET CASH USED IN OPERATING ACTIVITIES	(3,879)	(358)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional development expenditures	(3,538)	(2,630)
Purchase of property, plant and equipment	(3,140)	(956)
NET CASH USED IN INVESTING ACTIVITIES	(6,678)	(3,586)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in bankers' acceptances	(350)	(204)
Acquisition of shares by non-controlling interests	600	-
Drawdown of hire purchase	229	-
Dividend paid	(226)	-
Decrease/(Increase) in fixed deposits pledged as collateral	50	(50)

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	Current period to date 30 June 2015 RM'000	Preceding corresponding period 30 June 2014 RM'000
Grant received	300	1,732
Net proceeds from issuance of shares	17,805	-
Repayment of finance lease payables	(424)	(152)
Repayment of term loans	(2,479)	(100)
NET CASH FROM FINANCING ACTIVITIES	15,505	1,226
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,948	(2,718)
EFFECT OF EXCHANGE RATE CHANGES	14	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	8,623	10,192
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	13,585	7,474
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	7,384	2,658
Fixed deposit with licensed banks within 3 months	8,000	4,816
Fixed deposits with licensed banks later than 3 month	1,066	229
	16,450	7,703
Less: Fixed deposit pledged with licensed banks	(766)	(229)
Less: Bank overdraft	(2,099)	-
	13,585	7,474

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2015

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2015

A1. Accounting policies and methods of computation

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

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

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

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

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

MFRS and IC Interpretations (Including The Consequential Amendments)

Effective dates for financial periods beginning on or after

Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to Investment Entities: Applying the MFRS 10, MFRS 12 and MFRS 128 Consolidation Exception	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

A2. Auditors' report of preceding annual financial statements

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

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Material changes in estimates

Not applicable as there were no estimates reported in the prior financial years.

A6. Debt and equity securities

Save for the issuance of 100 million new ordinary shares of RM0.05 each in BHB in conjunction with the Company's listing on the ACE Market of Bursa Securities, there were no issuances, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period-to-date.

A7. Segmental information

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

	Current quarter ended		Period-to-date ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,505	3,481	3,833	5,527
Indonesia	3,939	4,353	4,838	4,864
China	2,291	-	2,291	-
Others*	517	292	517	304
Total	8,252	8,126	11,479	10,695

Note:

* Includes Singapore, Taiwan and Cambodia.

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

A8. Valuation of property, plant and equipment

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

A9. Capital commitments

	Current quarter ended	Financial period-to-date
	30 June 2015	30 June 2015
	RM'000	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 14 May 2015, Alphacare Sdn Bhd (“**Alphacare**”) allotted and issued 600,000 ordinary shares to MyAngkasa Holdings Sdn Bhd (“**MyAngkasa**”) representing 30% of the equity interest in Alphacare. Henceforth, Alphacare’s issued and paid-up share capital has increased to RM2.0 million comprising 2,000,000 of RM1.00 each (“**Alphacare Shares**”) from RM1.4 million comprising 1,400,000 Alphacare Shares.

Save as disclosed above, there were no changes in the composition of the Group for the current quarter.

A11. Contingent liabilities and contingent assets

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

A12. Material events subsequent to the end of the quarter

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

A13. Related party transactions

There were no related party transactions entered into with related parties during the current quarter.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group’s revenue for the current quarter and financial period ended 30 June 2015 were RM8.25 million and RM11.48 million respectively, compared with RM8.13 million and RM10.70 million in the corresponding periods in 2014. The increase was due to the export of our herbal product to China market amounted to RM2.3 million as a result of acceptance of the product by the China market.

The Group’s profit before tax (“**PBT**”) for the current quarter and financial period ended 30 June 2015 is RM0.50 million and RM0.51 million respectively, compared to RM2.36 million and RM2.18 million in the corresponding period in 2014.

Excluding the one-off listing expenses of RM2.18 million, the Group’s PBT for the current quarter was recorded at RM2.68 million with an increase of 13.56% as compared to RM2.36 million in the corresponding period.

B1. Analysis of performance (cont'd)

Comparison with immediate preceding quarter's results

The revenue for the current quarter has increased by RM5.03 million or 155% to RM8.25 million from RM3.23 in the first quarter. PBT for the current quarter has increased by RM0.49 million to RM0.50 million from 0.014 million in the first quarter. This was mainly due to the export of our herbal product to China market, as mentioned above.

B2. Prospects for the financial year ending 31 December 2015

We have completed the land clearing of 123.5 acres in Pasir Raja, Dungun and commenced farming of our herbal plants thereon. We expect the first harvest of our herbal plants by end of 2015.

We are actively promoting our health supplement products in China through our participation in exhibitions held in China's major provinces as part of our on-going market expansion.

On 14 May 2015, MyAngkasa has invested in our subsidiary company, Alphacare. This collaboration enables Alphacare to offer licensing arrangement of our existing "LifeSprings" retail outlet to more than 10,000 registered cooperatives and its products and services to more than 8 million cooperatives' members thereon. We have identified several potential locations for our "LifeSprings" retail outlets in Klang Valley and we are currently in discussions with several potential cooperative licensees on the licensing arrangement.

On 18 August 2015, we have entered into a memorandum of understanding ("**MOU**") with PUC Founder (MSC) Berhad ("**PUCF**") in relation to a collaboration whereby we intend to undertake herbs planting activities on the land owned by PUCF or subsidiary of PUCF upon which PUCF's solar photovoltaic ("**PV**") plants are to be constructed and operated if the said land is suitable for the planting activity. PUCF also intends to construct and operate solar PV plants on the lands owned by us which are used for the planting activities if they are suitable ("**Land Rights Sharing**").

We are exploring the possibility to apply new farming technique and increase the variety of herb to be farmed and allow the herb to grow in an optimum environment hence create better yield with higher active compound. Furthermore, this MOU will also provide opportunity in using the latest technology where the farming and planting activities will be carried out under the solar PV plant. These Collaboration is beneficial as the latest farming method applied will increase the Group's revenue due to higher yield of the plants and cost saving is expected due to no requirement for building additional shelter which required by certain herbs.

B2. Prospects for the financial year ending 31 December 2015 (cont'd)

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

B3. Profit forecast

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

B4. Taxation

	Current quarter ended		Financial period-to-date	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
Current tax provision	254	520	297	521
Deferred tax liability	20	-	20	-
	<u>274</u>	<u>520</u>	<u>317</u>	<u>521</u>
Effective tax rate (%)	54.91	22.07	61.79	23.89

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

B4. Taxation (cont'd)

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

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

The effective tax rate of the Group of 54.91% for the current quarter was higher than the statutory rate of 25% mainly due to the non-tax deductible listing expenses.

B5. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

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

(ii) Utilisation of proceeds

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

Propose	Proposed Utilisation	Actual Utilisation	Deviation		Balance	Estimated Time Frame for Utilisation (from the date of listing)
	RM'000	RM'000	RM'000	%	RM'000	
Capital expenditure	3,000	-	-	-	3,000	Within 24 months
Research & development expenditure	3,000	3,000	-	-	-	Within 24 months
Repayment of bank borrowings	2,620	2,620	-	-	-	Within 12 months
Working capital	9,080	3,949	-	-	5,250	Within 24 months
Estimated listing expenses	2,300	2,300	-	-	-	Upon listing
Total	20,000	11,869				

B6. Borrowings

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

	RM'000
Secured	
Finance leases	368
Bank overdraft	2,099
	<u>2,467</u>
Unsecured	
Bankers' acceptances	250
Total bank borrowings	<u>2,717</u>

B7. Material litigation

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

B8. Dividends

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

B9. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		Financial period-to-date	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the parent	396	1,799	410	1,615
Weighted average number of ordinary shares in issue ('000)	449,127	363,413	406,507	363,413
Basic earnings per share (sen)	0.088	0.495	0.101	0.444

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 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Interest income	(8)	(18)	(9)	(46)
Foreign exchange (gain)/loss	(14)	9	(14)	-
Other income	(155)	(81)	(783)	(1,860)
Interest expenses	149	93	228	109
Depreciation and amortisation expenses	1,173	846	2,275	1,673
Receivables written off	52	-	52	-

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

B11. Disclosure of realised and unrealised profits

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

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Retained earnings of the Group:		
- Realised	23,944	23,560
- Unrealised	5,364	5,552
Total	29,308	29,112
Add: Consolidation adjustments	751	537
Total retained earnings of the Group	30,059	29,649

By Order of the Board

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

Kuala Lumpur
27 August 2015