



BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017

	<----- Individual Quarter ----->			<----- Cumulative Quarter ----->		
	30 June 2017 RM'000	30 June 2016 RM'000	Changes	30 June 2017 RM'000	30 June 2016 RM'000	Changes
Revenue	13,157	11,966	10%	21,788	18,874	15%
Cost of sales	(7,176)	(7,319)		(12,840)	(12,063)	
Gross profit	5,981	4,647	29%	8,948	6,811	31%
Other income	1,439	1,461		2,748	2,974	
Administrative expenses	(4,865)	(4,683)		(11,148)	(8,272)	
Profit from operations	2,555	1,425	79%	548	1,513	(64%)
Finance costs	(49)	(46)		(96)	(100)	
Profit before tax	2,506	1,379	82%	452	1,413	(68%)
Taxation	(50)	(95)		(80)	(118)	
Net profit for the financial period, representing total comprehensive income for the financial period	2,456	1,284	91%	372	1,295	(71%)
Net profit for the financial period attributable to:						
- Owners of the parent	2,469	1,395	77%	514	1,518	(66%)
- Non-controlling interests	(13)	(111)		(142)	(223)	
	2,456	1,284		372	1,295	
Weighted average number of ordinary shares ('000)	802,378	500,000		768,582	494,240	
Earnings per share attributable to owners of the parent (sen):						
- Basic	0.308	0.279		0.067	0.307	
- 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.

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

	Unaudited As at 30 June 2017 RM'000	Audited As at 31 Dec 2016 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	33,496	29,292
Development expenditures	27,494	18,568
Goodwill	5,334	5,334
	<u>66,324</u>	<u>53,194</u>
CURRENT ASSETS		
Biological assets	198	302
Inventories	7,926	7,946
Trade receivables	27,320	29,084
Other receivables	9,747	16,823
Tax recoverable	529	566
Fixed deposits with licensed banks	26,029	3,895
Cash and bank balances	2,550	2,035
	<u>74,299</u>	<u>60,651</u>
TOTAL ASSETS	<u>140,623</u>	<u>113,845</u>
EQUITY		
Share capital	41,251	33,333
Share premium	46,525	24,725
Merger deficits	(4,969)	(4,969)
Foreign currency translation reserves	(45)	(27)
Retained earnings	45,444	44,929
Equity attributable to owners of the parent	<u>128,206</u>	<u>97,991</u>
Non-controlling interests	(737)	(595)
TOTAL EQUITY	<u>127,469</u>	<u>97,396</u>
NON-CURRENT LIABILITIES		
Finance lease payables	236	95
Bank borrowings	2,803	2,985
Deferred tax liabilities	2,343	2,343
	<u>5,382</u>	<u>5,423</u>

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

	Unaudited As at 30 June 2017 RM'000	Audited As at 31 Dec 2016 RM'000
CURRENT LIABILITIES		
Trade payables	3,767	3,723
Other payables	3,474	6,589
Amount owing to a director	1	10
Finance lease payables	172	158
Bank borrowings	309	541
Tax payable	49	5
	<u>7,772</u>	<u>11,026</u>
TOTAL LIABILITIES	<u>13,154</u>	<u>16,449</u>
TOTAL EQUITY AND LIABILITIES	<u>140,623</u>	<u>113,845</u>
NET ASSETS PER SHARE (sen)	15.81	17.93

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 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	-	-	-	-	1,518	1,518	(223)	1,295
Total comprehensive income	-	-	-	-	1,518	1,518	(223)	1,295
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
- Share issuance expenses	-	(322)	-	-	-	(322)	-	(322)
Total transactions with owners	1,829	8,696	-	-	-	10,525	-	10,525
Balance as at 30 June 2016	25,000	33,058	(4,969)	-	37,958	91,047	(500)	90,547

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 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	-	-	-	-	372	372	-	372
Foreign currency translation reserves	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income	-	-	-	(18)	372	354	-	354
Transaction with owners								
Issue of ordinary shares								
- Right issue	6,667	20,000	-	-	-	26,667	-	26,667
- Employee share option scheme	1,251	-	-	-	-	1,251	-	1,251
- Fair value loss on share-based payment	-	1,800	-	-	-	1,800	-	1,800
Net change of non-controlling interests	-	-	-	-	143	143	(142)	1
Total transactions with owners	7,918	21,800	-	-	143	29,861	(142)	29,719
Balance as at 30 June 2017	41,251	46,525	(4,969)	(45)	45,444	128,206	(737)	127,469

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017

	Current Quarter to date 30 June 2017 RM'000	Preceding Corresponding Quarter 30 June 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,506	1,413
Adjustments for:		
Amortisation of development expenditures	818	832
Amortisation of biological assets	18	-
Depreciation of property, plant and equipment	1,074	1,705
Gain on disposal of business	-	(54)
Gain on disposal of property, plant and equipment	-	(1)
Grant income	(107)	(2,229)
Finance costs	49	-
Interest expenses	-	100
Interest income	(220)	(156)
Unrealised (gain) / loss on foreign exchange	(64)	68
Operating profit before working capital changes	4,074	1,678
Changes in working capital:		
Biological assets	(4)	30
Inventories	402	(2,855)
Trade receivables	(2,355)	(901)
Other receivables	1,635	(1,090)
Trade payables	(67)	333
Other payables	(2,106)	421
Director	-	(22)
Cash generated from / (used in) operations	1,579	(2,406)
Grant received	107	2,017
Interest paid	(5)	(100)
Interest received	220	156
Tax paid	(84)	(171)
Tax refund	165	141
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	1,982	(363)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017 (CONT'D)

	Current Quarter to date 30 June 2017 RM'000	Preceding Corresponding Quarter 30 June 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional of development expenditures	(1,960)	(2,476)
Purchase of property, plant and equipment	(1,838)	(1,083)
Proceeds from disposal of property, plant and equipment	-	1
Net cash inflows arising from acquisition of a subsidiary company	-	282
Deposits paid for purchase of property, plant and equipment	-	(80)
NET CASH USED IN INVESTING ACTIVITIES	(3,798)	(3,356)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes on banker's acceptance	-	(194)
Dividends paid	-	(417)
Proceeds from issue of share capital	1,251	886
Proceeds from issue of share premium	-	4,961
Share issuance expenses	-	(322)
Repayment of finance lease payables	(305)	(77)
Repayment of term loans	(324)	(64)
NET CASH FROM FINANCING ACTIVITIES	622	4,773
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(1,194)	1,054
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(14)	(68)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	28,902	12,116
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	27,694	13,102

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017 (CONT'D)

	Current Quarter to date 30 June 2017 RM'000	Preceding Corresponding Quarter 30 June 2016 RM'000
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	2,550	6,992
Fixed deposits with licensed banks	26,029	6,975
Less: Bank overdraft		
	<u>28,579</u>	<u>13,967</u>
Less: Fixed deposits pledged with licensed banks	<u>(885)</u>	<u>(865)</u>
	<u>27,694</u>	<u>13,102</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 2016 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 2017

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 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:

<u>Date</u>	<u>No. of shares allotted</u>	<u>Remark</u>
20 April 2017	1,175,000	Exercise SIS
5 May 2017	1,175,000	Exercise SIS
11 May 2017	1,000,000	Exercise SIS
23 May 2017	125,000	Exercise SIS
24 May 2017	2,150,000	Exercise SIS
7 June 2017	475,000	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		Period-to-date ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Malaysia	7,076	6,106	11,653	10,603
Indonesia	4,246	4,265	6,828	5,719
China	1,835	1,595	3,307	2,552
Total	13,157	11,966	21,788	18,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Manufacturing & sale of finished health supplement products	9,407	7,465	14,224	10,724
Retail pharmacies	3,750	4,501	7,564	8,150
Total	13,157	11,966	21,788	18,874

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 2017	30 June 2017
	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

There were no changes in the composition of the Group for the current quarter.

A11. Contingent liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter was RM13.16 million as compared to RM11.97 million in the preceding corresponding quarter and its cumulative revenue was RM21.79 million as compared to RM18.87 million for the financial period ended ("FPE") 30 June 2016, representing an increase of RM1.19 million or 9.94% and RM2.92 million or 15.47%, 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 6-month FPE 30 June 2017 was RM14.22 million as compared to RM10.72 million in the preceding corresponding 6-month FPE 30 June 2016, representing an increase of RM3.5 million or 32.65%.

The higher revenue was mainly due to increase in export sales of health supplement products. The export sales to Indonesia for 6-month FPE 30 June 2017 increased to RM6.83 million or 19.41% as compared to the preceding corresponding period. For the same period, the export sales to China for FPE 30 June 2017 increased from RM2.55 million to RM3.31 million or 29.80% as compared to the preceding corresponding period.

(ii) Retail pharmacies

The revenue generated from this segment for 6-month FPE 30 June 2017 was RM7.56 million as compared to RM8.15 million in the preceding corresponding period FPE 30 June 2016, representing a decrease of RM0.59 million or 7.24%. The Group has successfully franchised out of its outlet in FPE 30 June 2016, which explained the decrease in revenue.

Gross profit margin was higher at 41.07% in FPE 30 June 2017 in comparison to 36.09% in the preceding corresponding period as a result of improvement from manufacturing division.

The Group recorded higher administrative expenses during the financial period mainly due to fair value charges for the Share Issuance Scheme granted to the employees amounted to RM1.80 million. The Group also incurred the one-off corporate expenses in relation to the Rights Issue exercise amounted to RM0.55 million during the financial period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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 second (2nd) quarter ended 30 June 2017 has increased by RM4.53 million or 52.49% from RM8.63 million to RM13.16 million as compared to the first (1st) quarter ended 31 March 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.

The PBT for the second (2nd) quarter ended 30 June 2017 has increased by RM4.56 million from loss of RM2.05 million in the first (1st) quarter ended 31 March 2017 to PBT of RM2.51 million.

B2. Prospects for the financial period ending 30 June 2017

On 10 January 2017, the Group completed the Rights Issue with Warrants exercise (which was 1.22 times oversubscribed) and successfully raised RM26.7 million. The proceeds are intended to be used to fund a series of growth plans over the next 2 years that, among others, include launching of 27 new products across all 3 key markets – Indonesia, China, and Malaysia, as well as expansion of the agriculture business operations, and upgrading of machineries.

For the Indonesian market, the Group target to launch 6 new products in each of 2017 and 2018 respectively. 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 campaign and participation in trade exhibitions have proven 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 "Halal" certified products and appeal to the Muslim population in these regions. The Group plan to introduce 5 new products this year for this market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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

B2. Prospects for the financial period ending 30 June 2017 (cont'd)

For the Group domestic market, the Group will unveil approximately 5 new products in each of 2017 and 2018 respectively. This will enhance the current product offering at Constant pharmacy outlets and other major pharmacies. The Group is working diligently to grow the pharmacy business via franchising and have identified Kelantan, Johor and Kedah 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. As of to date, the Group had three (3) franchise opening in Bangi, Selangor; Kota Bahru, Kelantan; and Jerteh, Terengganu.

On the agriculture side, the Group have begun Phase II land clearing of 879.5-acres in Pasir Raja, Dungun. The Group's planting will include Tongkat Ali, Kacip Fatimah, Betik Sekaki, Lada Hitam, Assam Gelugor and Kunyit which are high in demand.

From 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 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	50	65	80	88
- Deferred tax liability	-	30	-	30
	<u>50</u>	<u>95</u>	<u>80</u>	<u>118</u>
Effective tax rate (%)	2.00	6.89	3.19	8.56

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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

B4. Taxation (cont'd)

Bioalpha R&D Sdn Bhd ("BRDSB"), the Group wholly-owned subsidiary, was awarded a BioNexus Status by 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.

Bioalpha East Coast Agro Sdn Bhd ("BECASB"), the Group wholly-owned subsidiary, was awarded an East Coast Economic Region Status by 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 a 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	(6,500)	7,000	Within 18 months
(b)	Capital expenditure	3,500	(2,150)	1,350	Within 18 months
(c)	Expansion of agriculture business operations	8,500	(204)	8,296	Within 18 months
(d)	Working capital	512	(512)	-	Within 6 months
(e)	Estimated expenses	655	(655)	-	Within 1 month
Total		26,667	(10,021)	16,646	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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

B6. Borrowings

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

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	172	236	408
Term loans	309	2,803	3,112
Total bank borrowings	481	3,039	3,520

	30 June 2017 RM'000	30 June 2016 RM'000
Total bank borrowings	3,520	3,348
Total equity	127,478	90,547
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 did not recommend any dividend during the FPE 30 June 2017 (FPE 30 June 2016: Nil).

B9. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Net profit attributable to owners of the parent	2,469	1,395	514	1,518
Weighted average number of ordinary shares in issue ('000)	802,378	500,000	768,582	494,240
Basic earnings per share (sen)	<u>0.308</u>	<u>0.279</u>	<u>0.067</u>	<u>0.307</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Interest income	(220)	(106)	(453)	(156)
Foreign exchange loss/(gain)				
- Realised	13	(43)	(106)	(135)
- Unrealised	787	68	1,165	68
Fair value loss on share-based payment	-	-	1,800	-
Grant income	(107)	(972)	(206)	(2,229)
Grant expenses	-	865	-	2,015
Gain on disposal of property, plant and equipment	-	-	-	(1)
Other income	(1,125)	(340)	(1,983)	(453)
Property, plant and equipment written off	-	-	5	-
Interest expenses	49	46	96	100
Depreciation and amortisation expenses	1,892	1,206	3,543	2,537

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2017 (CONT'D)

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 June 2017 into realised and unrealised profits is as follows:

	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Retained earnings of the Group:		
- Realised	44,916	33,426
- Unrealised	2,679	2,698
Total	47,595	36,124
Add: Consolidation adjustments	(2,151)	1,834
Total retained earnings of the Group	45,444	37,958

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 23 August 2017.

By Order of the Board,

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

Kuala Lumpur

Dated: 23 August 2017