



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

**INTERIM FINANCIAL REPORT FOR THE
FOURTH (4th) QUARTER ENDED 31 DECEMBER 2015**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2015**

	<----Individual Quarter ---->		<----Cumulative Quarter ---->	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Revenue	9,705	8,350	29,720	27,115
Cost of sales	<u>(4,164)</u>	<u>(4,267)</u>	<u>(13,658)</u>	<u>(13,909)</u>
Gross profit	5,541	4,083	16,062	13,206
Other income	2,725	291	3,641	4,592
Administration expenses	(3,985)	(1,593)	(9,739)	(10,776)
Other expenses – Listing expenses	<u>-</u>	<u>-</u>	<u>(2,355)</u>	<u>-</u>
Profit from operations	4,281	2,781	7,609	7,022
Finance costs	<u>(27)</u>	<u>(83)</u>	<u>(307)</u>	<u>(236)</u>
Profit before taxation	4,254	2,698	7,302	6,786
Taxation	<u>(437)</u>	<u>(135)</u>	<u>(847)</u>	<u>(489)</u>
Net profit for the financial period, representing total comprehensive income	<u>3,817</u>	<u>2,563</u>	<u>6,455</u>	<u>6,297</u>
- Owners of the parent	3,831	2,601	6,794	6,432
- Non-controlling interests	<u>(14)</u>	<u>(38)</u>	<u>(339)</u>	<u>(135)</u>
	<u>3,817</u>	<u>2,563</u>	<u>6,455</u>	<u>6,297</u>
Weighted average number of ordinary shares ('000)	463,413	363,413	435,194	363,413
Earnings per share to attributable owners of the parent (sen):				
- Basic	0.827	0.716	1.561	1.770
- 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 31 DECEMBER 2015**

	Unaudited As at 31 December 2015 RM'000	Audited As at 31 December 2014 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	26,903	24,303
Development expenditures	12,970	8,076
Biological assets	283	-
	40,156	32,379
CURRENT ASSETS		
Inventories	4,664	4,061
Trade receivables	19,250	12,830
Other receivables	10,758	7,274
Tax recoverable	141	68
Fixed deposits with licensed banks	7,992	1,116
Cash and bank balances	5,803	8,706
	48,608	34,055
TOTAL ASSETS	88,764	66,434
EQUITY		
Share capital	23,171	18,171
Share premium	24,362	11,557
Merger deficits	(4,969)	(4,969)
Retained earnings	36,437	29,649
Equity attributable to owners of the parent	79,001	54,408
Non-controlling interests	(278)	(128)
TOTAL EQUITY	78,723	54,280
NON-CURRENT LIABILITIES		
Finance lease payables	250	289
Bank borrowings	692	2,253
Deferred tax liabilities	2,648	1,937
	3,590	4,479

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (CONT'D)**

	Unaudited As at 31 December 2015 RM'000	Audited As at 31 December 2014 RM'000
CURRENT LIABILITIES		
Trade payables	178	392
Other payables	5,202	5,762
Amount owing to a Director	22	22
Finance lease payables	144	274
Bank borrowings	846	1,210
Tax payable	59	15
	6,451	7,675
TOTAL LIABILITIES	10,041	12,154
TOTAL EQUITY AND LIABILITIES	88,764	66,434
NET ASSETS PER SHARE (sen)	16.99	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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2015

	<--- Non-Distributable --->			<-Distributable->		Non-	Total
	Share	Share	Merger	Retained	Total	Controlling	Equity
	Capital	Premium	Deficits	Earnings	RM'000	Interests	RM'000
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
Balance as at 1 January 2014	18,171	11,557	(4,969)	23,692	48,451	7	48,458
Net profit/(loss) for the financial year, representing total comprehensive income for the financial year	-	-	-	6,432	6,432	(135)	6,297
Transaction with owners							
Dividends to owners of the Company	-	-	-	(475)	(475)	-	(475)
Balance as at 31 December 2014	18,171	11,557	(4,969)	29,649	54,408	(128)	54,280
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 year, representing total comprehensive income for the financial year	-	-	-	6,794	6,794	(339)	6,455
Transaction with owners							
Acquisition of non-controlling interest	-	-	-	411	411	189	600
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
Dividend to owners of the Company	-	-	-	(417)	(417)	-	(417)
Balance as at 31 December 2015	23,171	24,362	(4,969)	36,437	79,001	(278)	78,723

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2015

	Current year to date 31 December 2015 RM'000	Preceding corresponding year 31 December 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,302	6,786
Adjustments for:		
Amortisation of development expenditures	1,339	967
Depreciation of property, plant and equipment	3,391	2,398
Bad debts written off	-	2
Deposit written off	52	-
Impairment of trade receivables	129	125
Interest expenses	307	236
Interest income	(204)	(204)
Inventories written off	2	-
Grant income	(3,117)	(4,227)
Gain on disposal of property, plant and equipment	(9)	-
Reversal of provision for doubtful debt	(20)	-
Unrealised gain on foreign exchange	(96)	-
Operating profit before working capital changes	9,076	6,083
Changes in working capital:		
Inventories	(605)	(1,135)
Trade receivables	(6,529)	14
Other receivables	(575)	1,078
Trade payables	(214)	(854)
Other payables	(301)	762
Amount owing to a Director	-	(76)
	(8,224)	(211)
Cash from operations	852	5,872
Interest paid	(307)	(236)
Interest received	196	204
Tax paid	(181)	(205)
Tax refund	17	-
NET CASH FROM OPERATING ACTIVITIES	577	5635
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,604)	(3,418)
Deposit paid for purchase of property, plant and equipment	(2,423)	(4,167)
Proceeds from disposal of property, plant and equipment	9	-
Additional development expenditures	(6,234)	(3,516)
Deposit paid for development expenditures	(3,584)	-

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2015 (CONT'D)

	Current year to date 31 December 2015 RM'000	Preceding corresponding year 31 December 2014 RM'000
Additional biological assets	(283)	-
NET CASH USED IN INVESTING ACTIVITIES	(15,119)	(11,101)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in bankers' acceptances	(600)	6
Acquisition of shares by non-controlling interests	600	-
Dividend paid	(226)	(249)
Drawdown of term loan	750	-
Grant received	2,665	4,717
(Increase)/ Decrease in fixed deposits pledged	243	(86)
Net proceeds from issuance of shares	17,805	-
Repayment of finance lease payables	(493)	(261)
Repayment of term loans	(2,479)	(230)
NET CASH FROM FINANCING ACTIVITIES	18,265	3,897
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,723	(1,569)
EFFECT OF EXCHANGE RATE CHANGES	96	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	8,623	10,192
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	12,442	8,623
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR COMPRISES:		
Cash and bank balances	5,803	8,706
Fixed deposit with licensed banks within 3 months	7,427	1,116
Fixed deposits with licensed banks later than 3 months	565	-
	13,795	9,822
Less: Fixed deposit pledged with licensed banks	(565)	(816)
Less: Bank overdraft	(788)	(383)
	12,442	8,623

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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2015

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 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 2018
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 preceding audited financial statements of the Group.

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 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 year-to-date.

A5. Material changes in estimates

There were no significant 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

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year-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 ended	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Malaysia	1,926	5,029	6,261	13,926
Indonesia	4,855	2,894	14,414	10,519
China	2,919	247	8,327	311
Others*	5	180	718	2,359
Total	9,705	8,350	29,720	27,115

Note:

* Includes Singapore, Taiwan, Australia 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 31 December 2015 RM'000	Financial year-to-date 31 December 2015 RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

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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 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 year-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 the FYE 31 December 2015 were RM9.71 million and RM29.72 million respectively with an increase of RM1.36 million or 16.23% and RM2.60 million or 9.61% as compared to RM8.35 million and RM27.12 million respectively in the corresponding year in 2014. The increase in revenue was mainly due to an increase in the export of our herbal products to China, which amounted to RM8.33 million following acceptance of the products by Chinese consumers.

The Group's profit before tax ("**PBT**") for the current quarter and the FYE 31 December 2015 were RM4.25 million and RM7.30 million respectively with an increase of RM1.55 million or 57.67% and RM0.51 million or 7.60% as compared to RM2.70 million and RM6.79 million respectively in the corresponding year in 2014.

Excluding the one-off listing expenses of RM2.36 million, the Group's PBT for the FYE 31 December 2015 was RM9.66 million with an increase of RM2.87 million or 42.27% as compared to RM6.79 million in the corresponding year in 2014.

B1. Analysis of performance (cont'd)

Comparison with immediate preceding quarter's results

The revenue for the current quarter has increased by RM1.17 million or 13.69% from RM8.54 million to RM9.71 million in the third (3rd) quarter of 2015. The PBT for the current quarter has increased by RM1.72 million or 67.88% to RM4.25 million from RM2.53 million in the third (3rd) quarter of 2015. The increase was mainly due to an increase in the export of our herbal products to China.

B2. Prospects for the financial year ending 31 December 2016

Our Group has completed the land clearing of 123.5 acres in Pasir Raja, Dungun and has commenced the farming of our herbal plants. As at the end of 2015, we had harvested plants such as Hempedu Bumi, Misai Kucing and Roselle.

Our Group's herbal products were well-accepted in China as a result of our active marketing campaign in promoting our Group's health supplement products through participation in exhibitions held in China's major provinces as part of our on-going market expansion efforts.

On 16 December 2015, our Group announced the proposed acquisition of the entire equity interest in Mediconstant Holding Sdn Bhd ("**Mediconstant**") ("**Proposed Acquisition**") which is expected to provide synergies with our Group's existing healthcare supplements manufacturing businesses. The Proposed Acquisition will enable our Group to supply our health supplement products to Mediconstant's chain of pharmacies and increase awareness of our products *via* marketing campaigns in Mediconstant's pharmacies, thus reducing marketing costs currently incurred through similar marketing methods in other third party retail pharmacies.

Subsequent to the Proposed Acquisition, the Group intends to work with MyAngkasa Holdings Sdn Bhd ("**MyAngkasa**") to invite members of MyAngkasa's member cooperatives to be members of Mediconstant's chain of pharmacies which would provide them with certain membership privileges.

Barring unforeseen circumstances, our Board of Directors of the Company ("**Board**") is optimistic on our 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 year-to-date	
	31	31	31	31
	December	December	December	December
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
Current tax provision	(237)	4	153	116
(Over)/Under provision in prior year	(18)	1	(18)	(11)
Deferred tax liability:				
Relating to origination of temporary differences	732	254	752	507
Over provision in prior year	(40)	(124)	(40)	(123)
	<u>437</u>	<u>135</u>	<u>847</u>	<u>489</u>
Effective tax rate (%)	10.27	5.00	11.60	7.21

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.

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 our Group of 10.27% for the current quarter is lower than the statutory rate of 25% mainly due to the incentive for our investment in BECA.

B5. Status of corporate proposals and utilisation of proceeds

(i) Status of outstanding corporate proposals

On 16 December 2015, Group purposed acquisition of the entire equity interest in Mediconstant Holding Sdn Bhd (“**Mediconstant**”) comprising 50,000 ordinary shares of RM1.00 each for a purchase consideration of RM5,000,000.

Subsequently, on 21 January 2016, acquisition of the entire equity interest in Mediconstant for a purchase consideration of RM5,000,000 to be fully satisfied through the issuance of 18,867,924 ordinary shares of RM0.05 each in our Group representing approximately 4.07% of the existing issued and paid-up share capital of Bioalpha (“**Acquisition**”) has been completed.

On 16 December 2015, TA Securities had, on behalf of our Board, announced that our Group proposed to undertake a private placement of up to 17,718,962 new ordinary shares of RM0.05 each (“**Placement Shares**”) representing 3.82% of our Group’s existing issued and paid-up share capital.

Subsequently, on 29 January 2016, TA Securities had announced, on behalf of our Board, that the issue price for the Placement Shares has been fixed at RM0.33 per Placement Share.

(ii) Utilisation of proceeds

Our 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 31 December 2015 is as follows:

Purpose	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	9,080	-	-	-	Within 24 months
Estimated listing expenses	2,300	2,300	-	-	-	Upon listing
Total	20,000	17,000				

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)**B6. Borrowings**

The Group's borrowings as at 31 December 2015 are as follows:

	RM'000
Secured	
Finance leases	394
Bank overdraft	788
Term loans	750
Total bank borrowings	<u>1,932</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

A first interim single tier tax exempt dividend of 0.09 sen (1.8%) per 5 sen share amounting to RM417,072 in respect of the FYE 31 December 2015 was paid on 8 January 2016. (FYE 31 December 2014: RM475,000).

B9. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		Financial year-to-date	
	31	31	31	31
	December	December	December	December
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to owners of the parent ('000)	3,831	2,601	6,794	6,432
Weighted average number of ordinary shares in issue ('000)	463,413	363,413	435,194	363,413
Basic earnings per share (sen)	<u>0.83</u>	<u>0.72</u>	<u>1.56</u>	<u>1.77</u>

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----->	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Interest income	(151)	12	(204)	(204)
Foreign exchange (gain)/loss	1	7	(58)	11
Gain on disposal of property, plant and equipment	-	-	(9)	-
Other income	(2,524)	(303)	(3,319)	(4,388)
Interest expenses	27	83	307	236
Depreciation and amortisation expenses	1,232	836	4,730	3,365
Written off and provision of receivables	122	(17)	181	127
Inventories written off	-	-	2	-

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

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B11. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 December 2015 into realised and unrealised profits is as follows:

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
Retained earnings of the Group:		
- Realised	28,742	23,560
- Unrealised	6,408	5,552
Total	<u>35,150</u>	<u>29,112</u>
Add: Consolidation adjustments	1,287	537
Total retained earnings of the Group	<u>36,437</u>	<u>29,649</u>

By Order of the Board,

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

Kuala Lumpur
25 February 2016