BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE SECOND (2^{nd}) QUARTER ENDED 30 JUNE 2016

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016

	<----Individual Quarter ---->		*<----Cumulative Quarter --->*	
	30 June 2016 RM'000	**30 June 2015 RM'000**	**30 June 2016 RM'000**	**30 June 2015 RM'000**
Revenue	11,966	8,252	18,874	11,479
Cost of sales	(7,319)	(3,479)	(12,063)	(5,415)
Gross profit	4,647	4,773	6,811	6,064
Other income	1,461	177	2,974	806
Administration expenses	(4,683)	(2,121)	(8,272)	(3,948)
Other expenses – Listing expenses	-	(2,181)	-	(2,181)
Profit from operations	1,425	648	1,513	741
Finance costs	(46)	(149)	(100)	(228)
Profit before taxation	1,379	499	1,413	513
Taxation	(95)	(274)	(118)	(317)
Net profit for the financial period, representing total comprehensive income for the financial period	1,284	225	1,295	196
Net profit /(loss) for the financial period attributable to:				
- Owners of the parent	1,395	396	1,518	410
- Non-controlling interests	(111)	(171)	(223)	(214)
	1,284	225	1,295	196
Weighted average number of ordinary shares ('000)	500,000	449,127	494,240	406,507
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.279	0.088	0.307	0.101
- Diluted	N/A	N/A	N/A	N/A

Notes:
*The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements of BHB for the financial year ended ("**FYE**") 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.*
N/A Not applicable.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Unaudited As at 30 June 2016 RM'000	Audited As at 31 December 2015 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	28,266	26,903
Development expenditures	18,199	12,971
Goodwill	5,441	-
	51,906	39,874
CURRENT ASSETS		
Biological assets	252	283
Inventories	10,041	4,664
Trade receivables	20,349	19,250
Other receivables	9,261	10,717
Tax recoverable	402	141
Fixed deposits with licensed banks	6,975	7,965
Cash and bank balances	6,992	5,803
	54,272	48,823
TOTAL ASSETS	**106,178**	**88,697**
EQUITY		
Share capital	25,000	23,171
Share premium	33,058	24,362
Merger deficits	(4,969)	(4,969)
Retained earnings	37,958	36,440
Equity attributable to owners of the parent	91,047	79,004
Non-controlling interests	(500)	(277)
TOTAL EQUITY	90,547	78,727
NON-CURRENT LIABILITIES		
Finance lease payables	175	250
Bank borrowings	2,285	692
Deferred tax liabilities	2,698	2,645
	5,158	3,587

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

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

	Unaudited As at 30 June 2016 RM'000	Audited As at 31 December 2015 RM'000
CURRENT LIABILITIES		
Trade payables	4,422	178
Other payables	5,045	5,134
Amount owing to a Director	-	22
Finance lease payables	157	144
Bank borrowings	731	846
Tax payable	118	59
	10,473	6,383
TOTAL LIABILITIES	**15,631**	**9,970**
TOTAL EQUITY AND LIABILITIES	**106,178**	**88,697**
NET ASSETS PER SHARE (sen)	18.21	17.05

Note:

The unaudited condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements of BHB for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016

	<----------------- Non-Distributable	-----------------	---------------->	<-Distributable->			
	Share Capital RM'000	**Share Premium RM'000**	**Merger Deficits RM'000**	**Retained Earnings RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
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	-	-	-	410	410	(214)	196
Transaction with owners							
Change in ownership interest in a subsidiary company	-	-	-	-	-	600	600
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
Total transactions with owners	5,000	12,805	-	-	17,805	600	18,405
Balance as at 30 June 2015	**23,171**	**24,362**	**(4,969)**	**30,059**	**72,623**	**258**	**72,881**

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016 (CONT'D)

	<------------------ Non-Distributable ------------------>			<-Distributable->			
	Share Capital RM'000	Share Premium RM'000	Merger Deficits 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/(loss) for the financial year, representing total comprehensive income for the financial period	-	-	-	1,518	1,518	(223)	1,295
Transaction with owners							
Acquisition of subsidiary company	-	-	-	-	-	(148)	(148)
Acquisition of non-controlling interest	-	-	-	-	-	148	148
Share issued for acquisition of subsidiary	943	4,057	-	-	5,000	-	5,000
Issuance of ordinary shares	886	4,961	-	-	5,847	-	5,847
Share issued 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**

Note:

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016

	Current quarter 30 June 2016 RM'000	Preceding corresponding quarter 30 June 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,413	513
Adjustments for:		
Amortisation of development expenditures	832	635
Depreciation of property, plant and equipment	1,705	1,640
Receivables written off	-	52
Interest expenses	100	228
Interest income	(156)	(9)
Grant income	(2,229)	(503)
Gain on disposal of property, plant and equipment	(1)	-
Gain on disposal of business	(54)	-
Unrealised loss/(gain) on foreign exchange	68	(14)
Operating profit before working capital changes	1,678	2,542
Changes in working capital:		
Biological assets	30	-
Inventories	(2,855)	(2,584)
Trade receivables	(901)	(737)
Other receivables	(1,090)	(2,621)
Trade payables	333	594
Other payables	421	(791)
Amount owing to a Director	(22)	22
	(4,084)	(6,117)
Cash generated from operations	(2,406)	(3,575)
Grant received	2,017	300
Interest paid	(100)	(228)
Interest received	156	9
Tax paid	(171)	(85)
Tax refund	141	-
NET CASH USED IN OPERATING ACTIVITIES	(363)	(3,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,083)	(3,140)
Deposit paid for purchase of property, plant and equipment	(80)	-
Proceeds from disposal of property, plant and equipment	1	-
Additional development expenditures	(2,476)	(3,538)
Net cash inflow on acquisition of a subsidiary	282	-
NET CASH USED IN INVESTING ACTIVITIES	(3,356)	(6,678)

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016 (CONT'D)

	Current quarter 30 June 2016 RM'000	Preceding corresponding quarter 30 June 2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in bankers' acceptances	(194)	(350)
Acquisition of shares by non-controlling interests	-	600
Drawdown of hire purchase	-	229
Dividend paid	(417)	(226)
Decrease in fixed deposits pledged	-	50
Net proceeds from issuance of shares	5,847	17,805
Share issuance expenses	(322)	-
Repayment of finance lease payables	(77)	(424)
Repayment of term loans	(64)	(2,479)
NET CASH FROM FINANCING ACTIVITIES	4,773	15,205
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,054	4,948
EFFECT OF EXCHANGE RATE CHANGES	(68)	14
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	12,116	8,623
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	13,102	13,585
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	6,992	7,384
Fixed deposits with licensed banks	6,975	9,066
Less: Bank overdraft	-	(2,099)
	13,967	14,351
Less: Fixed deposits pledged with licensed banks	(865)	(766)
	13,102	13,585

Note:

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements of BHB for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2016

A1. Accounting policies and methods of computation

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

The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

The accounting policies and methods of computation adopted by the Company and its subsidiaries ("**Group**") in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the audited consolidated financial statements of the Company for the FYE 31 December 2015, except for the adoption of the following:

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

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

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

consideration to which the entity expects to be entitled in exchange for those goods or services.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below (cont'd):

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of MFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of MFRS 16 until the Group performs a detailed review.

A2. Auditors' report of preceding annual financial statements

There was no qualification to the audited consolidated financial statements of the Company for the FYE 31 December 2015.

A3. Seasonal or cyclical factors

The Group's business activity typically peaks in the third (3^{rd}) and fourth (4^{th}) 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.

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

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

A7. Segmental information

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

	Current quarter ended		**Period-to-date ended**	
	30 June 2016 RM'000	**30 June 2015 RM'000**	**30 June 2016 RM'000**	**30 June 2015 RM'000**
Malaysia	6,106	1,505	10,603	3,833
Indonesia	4,265	3,939	5,719	4,838
China	1,595	2,291	2,552	2,291
Others*	-	517	-	517
Total	11,966	8,252	18,874	11,479

Note:

* *Includes Singapore and Taiwan.*

A7. Segmental information (cont'd)

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

	Current quarter ended		Period-to-date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Manufacturing & sale of finished health supplement products	7,465	8,113	10,724	11,247
Retail pharmacies	4,501	139	8,150	232
Total	11,966	8,252	18,874	11,479

A8. Valuation of property, plant and equipment

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

A9. Capital commitments

	Current quarter ended 30 June 2016 RM'000	Financial period-to-date 30 June 2016 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 4 May 2016, BHB *via* its wholly-owned subsidiary, Bioalpha International Sdn Bhd ("BISB") had subscribed 150,000 share in PT. Herbal Malindo Makmur ("PT.HMM"), representing 60% of the paid up capital of PT.HMM. The injection of investment to be incurred by BISB for the subscriber shares of amounting USD150,000 or equivalent to approximately RM600,000 will be fully satisfied by internally generated funds.

A11. Contingent liabilities

	Current quarter ended 30 June 2016 RM'000	Financial period-to-date 30 June 2016 RM'000
Unsecured:		
Corporate guarantees given to the license 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

Mr. Hon Tian Kok @ William, Managing Director of BHB, on behalf of the Company, agreed to initially subscribed 150,000 shares in PT. HMM, representing 60% of the total paid up capital of PT.HMM ("Subscriber Shares"). Thereafter, the right to Subscription Shares has been transferred to BISB on 4 May 2016 at no cost.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter was RM11.97 million compared to RM8.25 million in the preceeding corresponding quarter and its cumulative revenue was RM18.87 million compared to RM11.48 million for the financial period ended ("**FPE**") 30 June 2016, representing an increase of RM3.72 million or 45% and RM7.39 million or 64% respectively. Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing & sale of finished health supplement products

The revenue generated from this segment for the FPE 30 June 2016 was RM10.72 million as compared to RM11.25 million in the preceding corresponding period in 2015, representing a decrease of RM0.53 million or 4.71%.

The lower revenue was mainly due to decline in domestic sales of health supplement products. Meanwhile, export sales to Indonesia and China for FPE 30 June 2016 increased 18.2% and 11.4% respectively by comparison the preceding year's corresponding period as the demand for the Group's products remained strong.

(ii) Retail pharmacies

The revenue generated from this segment for FPE 30 June 2016 was RM8.15 million as compared to RM0.23 million in the preceding corresponding period in 2015, representing an increase of RM7.92 million.

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

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

Gross profit margin was lower at 36.1% in FPE 30 June 2016 by comparison to 52.8% a year ago. The decline is well within expectation, having considered that the gross profit margin of retail pharmacy is generally lower than that of manufacturing of health supplement products. Although the retail pharmacy has lower gross profit margin, the division serves as a strategic distribution channel to promote the Group's house brand products – Apotec and NuShine – directly to consumers.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance (cont'd)

The Group's profit before tax ("**PBT**") for the current quarter and FPE 30 June 2016 was RM1.38 million and RM1.41 million, an increase of RM0.88 million or 176.35% and RM0.9 million or 175.43% as compared to RM0.50 million and RM0.51 million in the preceding corresponding quarter, and FPE 30 June 2015.

The Group recorded a higher administration expenses during the financial period mainly due to an increase in staff costs attached to the Research & Development department as the Group's expands its business and advertising and promotion expenses for the rebranding of the retail pharmacies business.

Comparison with immediate preceding quarter's results

The revenue for the current quarter has increased by RM5.06 million or 73.21% from RM6.91 million in the first (1^{st}) quarter of 2016 to RM11.97 million. The PBT for the current quarter has increased by RM1.35 million from RM0.034 million in the first (1^{st}) quarter of 2016 to RM1.38 million. The increase from our house brand in Indonesia has contributed to the higher sales mainly driven by the exhibition and road show carried out.

B2. Prospects for the financial year ending 31 December 2016

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

Our Group will have a new manufacturing facility in Indonesia to accelerate growth potential. PT. HMM serves as part of our plan to further grow and strengthen our presence in Indonesia. A key benefit of having our own facility in the country is the significant reduction in the time-to-market for our new products. It allows us to introduce more products in shorter time and grow our market share at a quicker pace. Phase 1 to kick off in September 2016 with 2 production lines, one each for sachet and teabag.

Our Group's herbal products are 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. Going forward, we are confident to achieve better performance in the second half of 2016 as historically, business activities are more robust towards the later part of the year. As part of our market expansion efforts, our focus will be more in China's Muslim provinces.

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

Our Group National Key Economic Area ("**NKEA**") project on reduce blood glucose and menopause symptom preclinical studies have reached significant milestone and we have filed for several patents based on these studies. The NKEA project is to discover the therapeutic effect from the local herbal plant, and with the extraction technology and purification know-how to screen and identify bio-active ingredient with efficacy effect. We planned to complete the pre-clinical study by Q3/2016 and target to enter clinical trial phase 1 by 2017.

In view of the business potential, the 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 period-to-date	
	30 June 2016 RM'000	**30 June 2015 RM'000**	**30 June 2016 RM'000**	**30 June 2015 RM'000**
Tax expense recognised in profit or loss:				
Current tax provision	65	254	88	297
Deferred tax liability	30	20	30	20
	95	274	118	317
Effective tax rate (%)	6.89	54.91	8.35	61.79

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

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

B5. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposals

- On 4 May 2016, BHB *via* its wholly-owned subsidiary BISB had subscribe 150,000 share in PT.HMM, representing 60% of the paid up capital of PT.HMM. The injection of investment to be incurred by BISB for the Subscriber Shares of amounting USD150,000 or equivalent to approximately RM600,000 will be fully satisfied by internally generated funds.

- On 27 May 2016, BHB announced to undertake the following:

  a) Proposed bonus issue of 166,666,666 new ordinary shares of RM0.05 each in the Company ("BHB Shares") ("Bonus Shares") on the basis of one (1) Bonus Share for every three (3) existing BHB Shares held at an entitlement date to be determined later ("Proposed Bonus Issue"); and

  b) Proposed share issuance scheme of up to thirty percent (30%) of the Company's issued and paid-up share capital (excluding any treasury shares) at any one time during the duration of the scheme for the eligible Directors and employees of our Group (excluding dormant subsidiaries) ("Proposed SIS").

  c) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 500,000,000 BHB Shares to RM100,000,000 comprising 2,000,000,000 BHB Shares ("Proposed Increase in Authorised Share Capital"); and

  d) Proposed amendment to the Memorandum of Association ("MOA") of the Company to facilitate the Proposed Increase in Authorised Share Capital ("Proposed MOA Amendment").

  (collectively referred to as the "Proposals")

  On 13 July 2016, Bursa Securities has approved the following:

  a) Listing of up to 166,666,666 new BHB Shares to be issued pursuant to the Proposed Bonus Issue; and

  b) Listing of such number of new BHB Shares representing up to 30% of the issued and paid-up ordinary share capital of BHB (excluding treasury shares) to be issued pursuant to the Proposed SIS.

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

(ii) Utilisation of proceeds

On 12 February 2016, our Group completed the private placement of 17,718,962 new ordinary shares of RM0.05 each in our Group representing 3.67% of our Company's issued and paid-up share capital on the same date, RM0.33 per Placement Share

The status of utilisation of the resulting proceeds of approximately RM5.85 million as at 30 June 2016 is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Deviation		Balance	Estimated Time Frame for Utilisation
	RM'000	RM'000	RM'000	%	RM'000	
Working capital	5,397	5,397	-	-	-	Within 12 months
Expenses in relation to Private Placement	450	450	-	-	-	Within 2 weeks
Total	**5,847**	**5,847**				

B6. Borrowings

The Group's borrowings as at 30 June 2016 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
Finance leases	157	175	332
Banker's acceptance	470	-	470
Term loans	261	2,285	2,546
Total bank borrowings	888	2,460	3,348

	30 June 2016 RM'000	30 June 2015 RM'000
Total bank borrowings	3,348	2,717
Total equity	90,547	78,727
Gearing ratio (times)	0.04	0.03

B7. Material litigation

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

B8. Dividends

The Board did not recommend any dividend during the FPE 30 June 2016 (*FPE 30 June 2015: Nil*).

B9. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		**Financial year-to-date**	
	30 June 2016 RM'000	**30 June 2015 RM'000**	**30 June 2016 RM'000**	**30 June 2015 RM'000**
Net profit attributable to owners of the parent ('000)	1,395	396	1,518	410
Weighted average number of ordinary shares in issue ('000)	500,000	449,127	494,240	406,507
Basic earnings per share (sen)	0.279	0.088	0.307	0.101

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 2016 RM'000	**30 June 2015 RM'000**	**30 June 2016 RM'000**	**30 June 2015 RM'000**
Interest income	(106)	(8)	(156)	(9)
Foreign exchange (gain)/ loss				
- Realised	(43)	-	(135)	-
- Unrealised	68	(14)	68	(14)
Gain on disposal of property, plant and equipment	-	-	(1)	-
Grant income	(972)	(148)	(2,229)	(503)
Other income	(340)	(7)	(453)	(280)
Interest expenses	46	149	100	228
Grant expenses	865	-	2,015	260
Depreciation and amortisation expenses	1,206	1,173	2,537	2,275
Receivables written off	-	52	-	52

There were no provision for and write-off of inventories, gain or loss on disposal of investments or properties, impairment of assets, gain or loss on derivatives and 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 2016 into realised and unrealised profits is as follows:

	As at 30 June 2016 RM'000	**Audited As at 30 June 2015 RM'000**
Retained earnings of the Group:		
- Realised	33,426	23,944
- Unrealised	2,698	5,364
Total	36,124	29,308
Add: Consolidation adjustments	1,834	751
Total retained earnings of the Group	37,958	30,059

C. AUTHORIZATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 22 August 2016.

By Order of the Board,

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

Kuala Lumpur
22 August 2016