BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

(“BHB” OR THE “COMPANY”)

INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2016

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2016

	<---Individual Quarter --->		<----Cumulative Quarter --->	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Revenue	16,762	9,705	47,724	29,720
Cost of sales	(9,506)	(4,160)	(28,182)	(13,654)
Gross profit	7,256	5,545	19,542	16,066
Other income	3,286	2,732	7,852	3,648
Administration expenses	(6,202)	(3,997)	(18,782)	(9,756)
Other expense- corporate expenses	(370)	-	(370)	(2,350)
Profit from operations	3,970	4,280	8,242	7,608
Finance costs	(27)	(26)	(168)	(306)
Profit before tax	3,943	4,254	8,074	7,302
Taxation	361	(434)	193	(844)
Net profit for the financial year, representing total comprehensive income for the financial year	4,304	3,820	8,267	6,458
Net profit for the financial year attributable to:				
- Owners of the parent	4,529	3,833	8,829	6,796
- Non-controlling interests	(225)	(13)	(562)	(338)
	4,304	3,820	8,267	6,458
Weighted average number of ordinary shares ('000)	666,666	437,934	666,666	437,934
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.679	0.875	1.324	1.552
- 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 31 DECEMBER 2016

	Unaudited As at 31 Dec 2016 RM'000	Audited As at 31 Dec 2015 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	29,030	26,903
Development expenditures	18,568	12,971
Goodwill	5,334	-
	52,932	39,874
CURRENT ASSETS		
Biological assets	302	283
Inventories	8,599	4,664
Trade receivables	29,136	19,250
Other receivables	16,174	10,716
Tax recoverable	561	141
Fixed deposits with licensed banks	3,895	7,965
Cash and bank balances	2,042	5,804
	60,709	48,823
TOTAL ASSETS	**113,641**	**88,697**
EQUITY		
Share capital	33,333	23,171
Share premium	24,725	24,362
Merger deficits	(4,969)	(4,969)
Translation reserve	(27)	-
Retained earnings	45,270	36,440
Equity attributable to owners of the parent	98,332	79,004
Non-controlling interests	(592)	(277)
TOTAL EQUITY	97,740	78,727
NON-CURRENT LIABILITIES		
Finance lease payables	98	250
Bank borrowings	2,976	692
Deferred tax liabilities	2,337	2,645
	5,411	3,587

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

	Unaudited As at 31 Dec 2016 RM'000	Audited As at 31 Dec 2015 RM'000
CURRENT LIABILITIES		
Trade payables	3,485	178
Other payables	6,300	5,134
Amount owing to a Director	-	22
Finance lease payables	155	144
Bank borrowings	550	846
Tax payable	-	59
	10,490	6,383
TOTAL LIABILITIES	**15,901**	**9,970**
TOTAL EQUITY AND LIABILITIES	**113,641**	**88,697**
NET ASSETS PER SHARE (sen)	14.66(1)	17.98(2)

Notes: (1) Based on number of shares of 666,665,655 as at 31/12/2016.
(2) Based on number of shares of 437,933,662 as at 31/12/2015.

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 for the financial year, representing total comprehensive income for the financial year	-	-	-	6,797	6,797	(338)	6,459
Transaction with owners							
Change in ownership interest in a subsidiary company	-	-	-	411	411	189	600
Dividends to owners of the Company	-	-	-	(417)	(417)	-	(417)
Issuance of ordinary shares	5,000	12,805	-	-	17,805	-	17,805
Total transactions with owners	5,000	12,805	-	(6)	17,799	189	17,988
Balance as at 31 December 2015	**23,171**	**24,362**	**(4,969)**	**36,440**	**79,004**	**(277)**	**78,727**

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

	<------------------ Non-Distributable ----------------->			<-Distributable->				
	Share Capital RM'000	**Share Premium RM'000**	**Merger Deficits RM'000**	**Retained Earnings RM'000**	**Translation Reserve RM'000**	**Total RM'000**	**Non-Controlling Interests RM'000**	**Total Equity RM'000**
Balance as at 1 January 2016	23,171	24,362	(4,969)	36,440	-	79,004	(277)	78,727
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	8,830	-	8,830	(562)	8,268
Transaction with owners								
Acquisition of subsidiary company	-	-	-	-	-	-	(147)	(147)
Acquisition of non-controlling interest	-	-	-	-	-	-	394	394
Share issued for acquisition of Subsidiary	943	4,057	-	-	-	5,000	-	5,000
Issuance of ordinary shares	886	4,961	-	-	-	5,847	-	5,847
Issued, at premium pursuant to:								
- Bonus issue	8,333	(8,333)	-	-	-	-	-	-
Share issued expenses	-	(322)	-	-	-	(322)	-	(322)
Translation reserve	-	-	-	-	(27)	(27)	-	(27)
Total transactions with owners	10,162	363	-	-	(27)	10,498	247	10,745
Balance as at 31 December 2016	**33,333**	**24,725**	**(4,969)**	**45,270**	**(27)**	**98,332**	**(592)**	**97,740**

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2016

	Current year 31 Dec 2016 RM'000	Preceding Corresponding year 31 Dec 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,074	7,302
Adjustments for:		
Amortisation of development expenditures	2,349	1,339
Depreciation of property, plant and equipment	3,829	3,390
Bad debts written off	8	7
Deposit written off	-	52
Inventory written off	10	2
Interest expenses	165	307
Interest income	(266)	(204)
Impairment loss on trade receivables	184	129
Listing expenses written off	-	2,350
Grant income	(5,006)	(3,113)
Gain on disposal of property, plant and equipment	(1)	(9)
Gain on disposal of business	(54)	-
Property, plant and equipment written off	239	-
Reversal of impairment on trade receivables	-	(27)
Unrealised gain on foreign exchange	(1,010)	(96)
Operating profit before working capital changes	8,521	11,429
Changes in working capital:		
Biological assets	(89)	(283)
Inventories	(1,422)	(605)
Trade receivables	(8,359)	(6,503)
Other receivables	(44)	(550)
Trade payables	(607)	(214)
Other payables	859	(367)
Director	(22)	-
	(9,684)	(8,522)
Cash generated (used in)/from operations	(1,163)	2,907
Grant received	5,079	2,661
Interest paid	(165)	(307)
Interest received	266	204
Tax paid	(496)	(165)
Tax refund	178	-
NET CASH FROM OPERATING ACTIVITIES	3,699	5,300

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

	Current year 31 Dec 2016 RM'000	Preceding corresponding year 31 Dec 2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional development expenditures	(7,876)	(6,234)
Purchase of property, plant and equipment	(4,258)	(2,604)
Proceeds from disposal of property, plant and equipment	1	9
Deposit paid for property, plant and equipment	(4,321)	(6,007)
Net cash outflow on acquisition of a subsidiary	289	-
NET CASH USED IN INVESTING ACTIVITIES	(16,165)	(14,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional investment by non-controlling interest	-	600
Drawdown of term loan	1,250	750
Dividend paid	(417)	(226)
Increase in fixed deposit pledged	(20)	(49)
Net proceeds from issuance of shares	5,847	20,000
Net proceeds from non-controlling interest	247	-
Net changes in bankers' acceptances	200	(600)
Repayment of finance lease payables	(156)	(493)
Repayment of term loans	(1,199)	(2,479)
Payment of share issue expenses	(323)	(4,545)
NET CASH FROM FINANCING ACTIVITIES	5,429	12,958
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,037)	3,422
EFFECT OF EXCHANGE RATE CHANGES	(27)	71
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	12,116	8,623
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	5,052	12,116

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

	Current year 31 Dec 2016 RM'000	Preceding corresponding year 31 Dec 2015 RM'000
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR COMPRISES:		
Cash and bank balances	2,042	5,804
Fixed deposits with licensed banks	3,895	7,965
Less: Bank overdraft	-	(788)
	5,937	12,981
Less: Fixed deposits pledged with licensed banks	(885)	(865)
	5,052	12,116

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2016

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 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 consideration to which the entity expects to be entitled in exchange for those goods or services.

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 2015.

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.

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		Year-to-date ended	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Malaysia	5,677	1,926	21,211	6,261
Indonesia	4,268	4,855	13,518	14,414
China	6,817	2,919	12,995	8,327
Others*	-	5	-	718
Total	16,762	9,705	47,724	29,720

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		Year-to-date ended	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Manufacturing & sale of finished health supplement products	12,745	9,548	32,329	29,205
Retail pharmacies	4,017	157	15,395	515
Total	16,762	9,705	47,724	29,720

A8. Valuation of property, plant and equipment

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

A9. Capital commitments

	Current quarter ended 31 Dec 2016 RM'000	Financial year-to-date 31 Dec 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

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

A11. Contingent liabilities

	Current quarter ended 31 Dec 2016 RM'000	Financial year-to-date 31 Dec 2016 RM'000
Unsecured:		
Corporate guarantees given to the licensed banks for credit facilities granted to subsidiary companies	3,000	3,000

A12. Material events subsequent to the end of the quarter

Save as disclosed in Note B5, there were no other material events subsequent to the end of the current quarter and financial period-to-date that have not been reflected in this interim financial report.

A13. Related party transactions

There were no additional related party transaction entered into with related parties during the current financial quarter.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

The Group's revenue for the current quarter was RM16.76 million compared to RM9.71 million in the preceding corresponding quarter and its cumulative revenue was RM47.72 million compared to RM29.72 million for the financial year ended ("**FYE**") 31 December 2016, representing an increase of RM7.05 million or 72.61% and RM18 million or 60.57% 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 FYE 31 December 2016 was RM32.33 million as compared to RM29.20 million in the preceding corresponding year in 2015, representing an increase of RM3.13 million or 10.72%.

The higher revenue was mainly due to increase in export sales of health supplement products. The export sales to China for FPE 31 December 2016 increased by 56.06% compared to the preceding year's corresponding year. For the same period, the export sales to Indonesia for FYE 31 December 2016 decreased by 6.22% compared to the preceding year's corresponding period.

Retail pharmacies

The revenue generated from this segment for FYE 31 December 2016 was RM15.40 million as compared to RM0.52 million in the preceding corresponding year in 2015, representing an increase of RM14.88 million.

The Group completed the acquisition of Mediconstant Holdings Sdn Bhd ("Mediconstant") in January 2016. 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 opened in Tanah Merah, Kelantan.

Gross profit margin was lower at 40.95% in FYE 31 December 2016 in comparison to 54.06% a year ago. The decline is well within expectation, having considered that the gross profit margin of retail pharmacies is generally lower than that of manufacturing of health supplement products. Although the retail pharmacies have a 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 was RM3.94 million, which is fairly maintained when compared to RM4.25 million in the preceding corresponding quarter.

The Group's PBT for the FYE 31 December 2016 was RM8.08 million, an increase of RM0.8 million or 10.96% when compared to the preceding FYE 31 December 2015.

The Group recorded higher administration expenses during the financial year mainly due to new recruitments in Research & Development department and franchise department due to the Group's expansion program. The advertising and promotion expenses for the rebranding of the retail pharmacies business have also contributed to the higher administration expenses. The Group also incurred the one-off corporate expenses in relation to the acquisition of Mediconstant and the Bonus Issue during the financial year.

Comparison with immediate preceding quarter's results

The revenue for the 4th quarter ended 31 December 2016 has increased by RM4.67 million to RM16.76 million or 38.63% from 12.09 million for the third (3rd) quarter ended 30 September 2016.

The PBT for the 4th quarter ended 31 December 2016 has increased by RM1.22 million from 2.72 million in the 3rd quarter ended 30 September 2016 to RM3.94 million.

The increase was mainly driven by the increase in exports to China as compared to the preceding quarter.

B2. Prospects for the financial year ending 31 December 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.

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 have a new franchise opening in March 2017 in Bangi.

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 highly in demand. The Group have allocated RM8.5 million from the Rights Issue with Warrants proceeds for expansion of agriculture business operations which includes working capital for the extraction of herbs. The Group aim to complete planting over the next 24 months.

B2. Prospects for the financial year ending 31 December 2017 (Cont'd)

The Group are in the process of Investigation on new drug for human clinical trial, such as the evaluation of dossier for application of Clinical Trial.

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 year-to-date	
	31 Dec 2016 RM'000	**31 Dec 2015 RM'000**	**31 Dec 2016 RM'000**	**31 Dec 2015 RM'000**
Tax expense recognised in profit or loss:				
- Current tax provision	(135)	(237)	3	153
- Over provision in prior year	399	(17)	399	(17)
	264	(254)	402	136
Deferred tax liability:				
- Change in tax rates	-	-	-	(125)
- Original and reversal of temporary differences	(37)	728	(7)	872
- Over provision in prior years	(588)	(40)	(588)	(39)
	(625)	688	(595)	708
	(361)	434	(193)	844
Effective tax rate (%)	(9.16)	10.20	(2.40)	11.56

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.

Meanwhile, the Group's other subsidiaries are taxed at a statutory rate of 24% on their chargeable incomes.

For information purpose, the Group wholly-owned subsidiary, Bioalpha East Coast Agro Sdn Bhd was awarded pioneer status to enjoy 100% tax exemption on income from qualifying activities for a period of ten (10) years.

B5. Status of corporate proposals and utilisation of proceeds

Status of corporate proposals

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

  a) 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 ("Bonus Issue").

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

  c) 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 ("Increase in Authorised Share Capital"); and

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

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

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

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

Status of corporate proposals (cont'd)

- On 13 July 2016, Bursa Securities has approved the following (cont'd):

  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 SIS.

- On 13 September 2016, the Bonus Issue has been completed following the listing of and quotation for 166,665,655 BHB shares on the ACE Market of Bursa Securities.

- On 7 September 2016, BHB announced to undertake the following:

  A renounceable right issue 133,333,131 new Bioalpha Shares ("Rights Share(s)") together with 133,333,131 free new detachable Warrants ("Warrants") on the basis of 1 Rights Share for every 5 Bioalpha Shares held together with 1 Warrant for every Rights Share subscribed by the existing shareholders of Bioalpha on an entitlement date to be determined by the Board and announced later ("Rights Issue with Warrants")

- On 13 October 2016, Bursa Securities approved the Rights Issue with Warrants.

- On 15 November 2016, the resolution for the Rights Issue with Warrants was approved by the Company's shareholder by way of voting by poll at the Company's extraordinary general meeting.

- On 10 January 2017, the Rights Issue with Warrants was completed at an issue price of RM0.20 for each Rights Share following the listing of and quotation for 133,333,131 Rights Shares together with 133,333,131 Warrants on the ACE Market of Bursa Securities; with RM26.70 million gross proceeds raised.

- On 12 January 2017, BHB announced the effective date for the implementation of the SIS as 12 January 2017.

B6. Borrowings

The Group's borrowings as at 31 December 2016 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
Finance leases	155	98	253
Banker's acceptance	200	-	200
Term loans	350	2,976	3,326
Total bank borrowings	705	3,074	3,779

	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Total bank borrowings	3,779	1,932
Total equity	97,740	78,727
Gearing ratio (times)	0.04	0.02

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 FYE 31 December 2016 (*FYE 31 December 2015: RM417,072*).

B9. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial year-to-date	
	31 Dec 2016 RM'000	31 Dec 2015 RM'000	31 Dec 2016 RM'000	31 Dec 2015 RM'000
Net profit attributable to owners of the parent	4,529	3,833	8,829	6,796
Weighted average number of ordinary shares in issue ('000)	666,666	437,934	666,666	437,934
Basic earnings per share (sen)	0.68	0.88	1.32	1.55

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 Dec 2016 RM'000	**31 Dec 2015 RM'000**	**31 Dec 2016 RM'000**	**31 Dec 2015 RM'000**
Interest income	(43)	(151)	(266)	(204)
Foreign exchange (gain)/ loss				
- Realised	-	38	-	38
- Unrealised	(1,005)	(37)	(1,010)	(96)
Grant income	(1,782)	(2,318)	(5,006)	(3,113)
Grant expenses	1,276	2,545	4,500	2,545
Gain on disposal of property, plant and equipment	-	-	(1)	(9)
Other income	-	(2,524)	(54)	(3,319)
Interest expenses	24	27	165	307
Depreciation and amortisation expenses	2,334	1,231	6,178	4,729
Property, plant and equipment written off	239	-	239	-
Written off and provision of receivables	192	77	192	136
Inventories written off	8	-	10	2

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.

B11. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 December 2016 into realised and unrealised profits is as follows:

	As at 31 Dec 2016 RM'000	**Audited As at 31 Dec 2015 RM'000**
Retained earnings of the Group:		
- Realised	42,260	37,703
- Unrealised	1,010	(2,549)
Total	43,270	35,154
Add: Consolidation adjustments	2,000	1,286
Total retained earnings of the Group	45,270	36,440

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 27 February 2017.

By Order of the Board,

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

Kuala Lumpur