BIOALPHA HOLDINGS BERHAD

(Company No. 949536-X)

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017

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BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017

	<--- Individual Quarter --->		*<--- Cumulative Quarter --->*	
	31 Mar 2017 RM'000	**31 Mar 2016 RM'000**	**31 Mar 2017 RM'000**	**31 Mar 2016 RM'000**
Revenue	8,631	6,908	8,631	6,908
Cost of sales	(5,664)	(4,744)	(5,664)	(4,744)
Gross profit	2,967	2,164	2,967	2,164
Other income	1,309	1,513	1,309	1,513
Administrative expenses	(6,283)	(3,588)	(6,283)	(3,588)
(Loss)/Profit from operations	(2,007)	89	(2,007)	89
Finance costs	(47)	(55)	(47)	(55)
(Loss)/Profit before tax	(2,054)	34	(2,054)	34
Taxation	(30)	(23)	(30)	(23)
Net (loss)/profit for the financial period, representing total comprehensive income for the financial period	(2,084)	11	(2,084)	11
Net (loss)/profit for the financial period attributable to:				
- Owners of the parent	(1,955)	122	(1,955)	122
- Non-controlling interests	(129)	(111)	(129)	(111)
	(2,084)	11	(2,084)	11
Weighted average number of ordinary shares ('000)	786,666	488,479	786,666	488,479
Earnings per share attributable to owners of the parent (sen):				
- Basic	(0.249)	0.025	(0.249)	0.025
- 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.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Unaudited As at 31 Mar 2017 RM'000	Audited As at 31 Dec 2016 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	32,487	29,292
Development expenditures	26,352	18,568
Goodwill	5,334	5,334
	64,173	53,194
CURRENT ASSETS		
Biological assets	213	302
Inventories	8,328	7,946
Trade receivables	25,115	29,084
Other receivables	11,159	16,823
Tax recoverable	612	566
Fixed deposits with licensed banks	27,885	3,895
Cash and bank balances	1,902	2,035
	75,214	60,651
TOTAL ASSETS	139,387	113,845
EQUITY		
Share capital	40,000	33,333
Share premium	46,525	24,725
Merger deficits	(4,969)	(4,969)
Foreign currency translation reserves	(30)	(27)
Retained earnings	42,974	44,929
Equity attributable to owners of the parent	124,500	97,991
Non-controlling interests	(724)	(595)
TOTAL EQUITY	123,776	97,396
NON-CURRENT LIABILITIES		
Finance lease payables	271	95
Bank borrowings	3,082	2,985
Deferred tax liabilities	2,343	2,343
	5,696	5,423

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (CONT'D)

	Unaudited As at 31 Mar 2017 RM'000	Audited As at 31 Dec 2016 RM'000
CURRENT LIABILITIES		
Trade payables	3,832	3,723
Other payables	5,581	6,589
Amount owing to a director	1	10
Finance lease payables	185	158
Bank borrowings	316	541
Tax payable	-	5
	9,915	11,026
TOTAL LIABILITIES	15,611	16,449
TOTAL EQUITY AND LIABILITIES	139,387	113,845
NET ASSETS PER SHARE (sen)	15.73	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.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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	-	-	-	-	8,489	8,489	(565)	7,924
Foreign currency translation reserves	-	-	-	(27)	-	(27)	-	(27)
Total comprehensive income	-	-	-	(27)	8,489	8,462	(565)	7,897
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
- Bonus issue	8,333	(8,333)	-	-	-	-	-	-
- Share issuance expenses	-	(322)	-	-	-	(322)	-	(322)
Net change of non-controlling interests	-	-	-	-	-	-	247	247
Total transactions with owners	10,162	363	-	-	-	10,525	247	10,772
Balance as at 31 December 2016	33,333	24,725	(4,969)	(27)	44,929	97,991	(595)	97,396

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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	-	-	-	-	(2,084)	(2,084)	-	(2,084)
Foreign currency translation reserves	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income	-	-	-	(3)	(2,084)	(2,087)	-	(2,087)
Transaction with owners								
Issue of ordinary shares								
- Private placement	6,667	20,000	-	-	-	26,667	-	26,667
- Fair value loss on share-based payment	-	1,800	-	-	-	1,800	-	1,800
Net change of non-controlling interests	-	-	-	-	129	129	(129)	-
Total transactions with owners	6,667	21,800	-	-	129	28,596	(129)	28,467
Balance as at 31 March 2017	40,000	46,525	(4,969)	(30)	42,974	124,500	(724)	123,776

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.

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017

	Current Quarter to date 31 Mar 2017 RM'000	**Preceding Corresponding Quarter 31 Mar 2016 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(2,054)	34
Adjustments for:		
Amortisation of development expenditures	654	465
Amortisation of biological assets	90	-
Depreciation of property, plant and equipment	997	866
Gain on disposal of property, plant and equipment	(57)	(1)
Grant income	(99)	(1,257)
Fair value loss on share-based payment	1,800	-
Finance costs	47	55
Interest income	(233)	(51)
Property, plant and equipment written off	5	-
Unrealised loss on foreign exchange	378	-
Operating profit before working capital changes	1,528	111
Changes in working capital:		
Biological assets	-	44
Inventories	(381)	(2,067)
Trade receivables	3,703	2,909
Other receivables	5,440	(1,231)
Trade payables	109	(91)
Other payables	(1,004)	400
Director	(9)	41
Cash generated from operations	9,386	116
Grant received	99	-
Interest paid	(6)	(55)
Interest received	233	51
Tax paid	(191)	(84)
Tax refund	110	73
NET CASH FROM OPERATING ACTIVITIES	9,631	101

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017 (CONT'D)

	Current Quarter to date 31 Mar 2017 RM'000	Preceding Corresponding Quarter 31 Mar 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional of development expenditures	(8,438)	(1,368)
Purchase of property, plant and equipment	(4,370)	(296)
Proceeds from disposal of property, plant and equipment	-	2
Net cash inflows arising from acquisition of a subsidiary company	-	282
Deposits paid for purchase of property, plant and equipment	-	(48)
NET CASH USED IN INVESTING ACTIVITIES	(12,808)	(1,428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes on banker's acceptance	-	(464)
Dividends paid	-	(417)
Grant received	-	1,150
Decreased in fixed deposits pledged	-	(10)
Proceeds from issue of share capital	26,667	5,847
Share issuance expenses	-	(322)
Repayment of finance lease payables	(48)	(38)
Repayment of term loans	(167)	(31)
NET CASH FROM FINANCING ACTIVITIES	26,452	5,715
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,275	4,388
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(303)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	5,930	12,116
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	28,902	16,504

BIOALPHA HOLDINGS BERHAD (Company No. 949536-X)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017 (CONT'D)

	Current Quarter to date 31 Mar 2017 RM'000	Preceding Corresponding Quarter 31 Mar 2016 RM'000
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	1,902	9,301
Fixed deposits with licensed banks	27,885	8,090
Less: Bank overdraft	-	(12)
	29,787	17,379
Less: Fixed deposits pledged with licensed banks	(885)	(875)
	28,902	16,504

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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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):

<u>MFRS 16 *Leases*</u>

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.

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 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

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	
	31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Malaysia	4,577	4,497	4,577	4,497
Indonesia	2,582	1,454	2,582	1,454
China	1,472	957	1,472	957
Total	8,631	6,908	8,631	6,908

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

	Current quarter ended		Period-to-date ended	
	31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Manufacturing & sale of finished health supplement products	4,817	3,259	4,817	3,259
Retail pharmacies	3,814	3,649	3,814	3,649
Total	8,631	6,908	8,631	6,908

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1ST) QUARTER ENDED 31 MARCH 2017 (CONT'D)

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 Mar 2017 RM'000	Financial period-to-date 31 Mar 2017 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 Mar 2017 RM'000	Financial period-to-date 31 Mar 2017 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

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 financial period ended ("FPE") 31 March 2017 was RM8.63 million, an increase of RM1.72 million or 24.89% as compared to RM6.91 million in the preceding corresponding quarter FPE 31 March 2016. 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 FPE 31 March 2017 was RM4.82 million as compared to RM3.26 million in the preceding corresponding quarter FPE 31 March 2016, representing an increase of RM1.56 million or 47.85%.

The higher revenue was mainly due to increase in export sales of health supplement products. The export sales to Indonesia for FPE 31 March 2017 increased to RM2.58 million or 77.58% compared to the preceding corresponding quarter. For the same period, the export sales to China for FPE 31 March 2017 increased from RM0.96 million to RM1.47 million or 53.13% compared to the preceding corresponding quarter.

(ii) Retail pharmacies

The revenue generated from this segment for FPE 31 March 2017 was RM3.81 million as compared to RM3.65 million in the preceding corresponding quarter FPE 31 March 2016, representing an increase of RM0.16 million or 4.38%.

Gross profit margin was higher at 34.38% in FPE 31 March 2017 in comparison to 31.33% in the preceding corresponding quarter as a result from 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.

Excluding the said fair value charges for the Share Issuance Scheme and the corporate expenses in relation to Rights Issue, the Group's profit before tax ("**PBT**") in the current quarter would have been RM0.30 million.

By excluding the above said, the Group's profit after tax and minority interests ("**PATMI**") in the current quarter would have been RM0.26 million, increased by RM0.14 million or 116.67% compared to the preceding corresponding quarter of RM0.12 million.

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 first (1^{st}) quarter ended 31 March 2017 has decreased by RM8.13 million or 48.51% from RM16.76 million to RM8.63 million as compared to the fourth (4^{th}) quarter ended 31 December 2016.

The Group's business activities typically peak 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.

The PBT for the first (1^{st}) quarter ended 31 March 2017 has decreased by RM5.99 million from RM3.94 million in the fourth (4^{th}) quarter ended 31 December 2016 to RM2.05 million.

The decrease was mainly driven by the increase in loss of fair value on share-based payment and corporate expenses in relation to the Rights Issue exercise as compared to the immediate preceding quarter.

B2. Prospects for the financial period ending 31 March 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.

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

B2. Prospects for the financial period ending 31 March 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 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 high 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.

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 period-to-date**	
	31 Mar 2017 RM'000	**31 Mar 2016 RM'000**	**31 Mar 2017 RM'000**	**31 Mar 2016 RM'000**
Tax expense recognised in profit or loss:				
- Current tax provision	30	23	30	23
	30	23	30	23
Effective tax rate (%)	(0.01)	0.68	(0.01)	0.68

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) Status of corporate proposals

- 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.

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

(ii) Utilisation of proceeds

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	(1,000)	12,500	Within 18 months
(b)	Capital expenditure	3,500	(1,150)	2,350	Within 18 months
(c)	Expansion of agriculture business operations	8,500	-	8,500	Within 18 months
(d)	Working capital	512	(512)	-	Within 6 months
(e)	Estimated expenses	655	(655)	-	Within 1 month
	Total	26,667	(3,317)	23,350	

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

B6. Borrowings

The Group's borrowings as at 31 March 2017 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Finance leases	185	271	456
Term loans	316	3,082	3,398
Total bank borrowings	501	3,353	3,854

	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Total bank borrowings	3,854	3,168
Total equity	123,776	89,263
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 31 March 2017 (*FPE 31 March 2016: Nil*).

B9. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Net (loss)/profit attributable to owners of the parent	(1,955)	122	(1,955)	122
Weighted average number of ordinary shares in issue ('000)	786,666	488,479	786,666	488,479
Basic earnings per share (sen)	(0.249)	0.025	(0.249)	0.025

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-->*	
	31 Mar 2017 RM'000	**31 Mar 2016 RM'000**	**31 Mar 2017 RM'000**	**31 Mar 2016 RM'000**
Interest income	(233)	(51)	(233)	(51)
Foreign exchange (gain)/ loss				
- Realised	(119)	-	(119)	-
- Unrealised	378	(93)	378	(93)
Fair value loss on share-based payment	1,800	-	1,800	-
Grant income	(99)	(1,257)	(99)	(1,257)
Grant expenses	-	1,150	-	1,150
Gain on disposal of property, plant and equipment	(57)	(1)	(57)	(1)
Other income	(858)	(111)	(858)	(111)
Property, plant and equipment written off	5	-	5	-
Interest expenses	47	55	47	55
Depreciation and amortisation expenses	1,651	1,331	1,651	1,331

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.

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 31 March 2017 into realised and unrealised profits is as follows:

	As at 31 March 2017 RM'000	**As at 31 March 2016 RM'000**
Retained earnings of the Group:		
- Realised	38,737	32,090
- Unrealised	3,833	2,668
Total	42,570	34,758
Add: Consolidation adjustments	404	1,804
Total retained earnings of the Group	42,974	36,562

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 29 May 2017.

By Order of the Board,

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

Kuala Lumpur

Dated: 29 May 2017