



BIOALPHA HOLDINGS BERHAD

(Registration No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

**INTERIM FINANCIAL REPORT FOR THE
SECOND (2nd) QUARTER ENDED 30 JUNE 2021**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021

	<--- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Unaudited 30 Jun 2021	Unaudited 30 Jun 2020	Unaudited 30 Jun 2021	Unaudited 30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	29,937	6,392	54,720	12,924
Cost of sales	(25,248)	(7,653)	(45,925)	(15,302)
Gross profit / (loss)	4,689	(1,261)	8,795	(2,378)
Other incomes	1,416	760	2,712	847
Administrative expenses	(4,360)	(7,600)	(8,067)	(11,707)
Profit / (loss) from operations	1,745	(8,101)	3,440	(13,238)
Finance costs	(151)	(98)	(267)	(265)
Profit / (Loss) before taxation	1,594	(8,199)	3,173	(13,503)
Taxation	(81)	(465)	(186)	(849)
Profit / (Loss) for the financial period	1,513	(8,664)	2,987	(14,352)
Profit / (loss) for the financial period attributable to:				
- Owners of the parent	1,501	(7,932)	3,029	(13,434)
- Non-controlling interests	12	(732)	(42)	(918)
	1,513	(8,664)	2,987	(14,352)
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.133	(0.866)	0.271	(1.513)
- Diluted	0.118	(0.740)	0.240	(1.287)

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 2020 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Unaudited As at 30 Jun 2021 RM'000	Audited As at 31 Dec 2020 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	54,798	49,047
Intangible assets	48,261	47,733
Right-of-use assets	12,701	12,797
Goodwill on consolidation	5,384	5,384
	<u>121,144</u>	<u>114,961</u>
CURRENT ASSETS		
Biological assets	693	693
Inventories	8,866	7,164
Trade receivables	28,512	22,156
Other receivables	16,433	13,899
Tax recoverable	394	619
Other investments	12	12
Fixed deposits with licensed banks	19,612	16,101
Cash and bank balances	23,276	11,521
	<u>97,798</u>	<u>72,165</u>
TOTAL ASSETS	<u>218,942</u>	<u>187,126</u>
EQUITY		
Share capital	151,086	135,824
Reserves	37,617	25,076
Equity attributable to owners of the parent	<u>188,703</u>	<u>160,900</u>
Non-controlling interests	(1,401)	(1,359)
TOTAL EQUITY	<u>187,302</u>	<u>159,541</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,572	4,744
Bank borrowings	5,011	3,712
Deferred tax liabilities	8,691	8,714
	<u>18,274</u>	<u>17,170</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021
(CONT'D)**

	Unaudited As at 30 Jun 2021 RM'000	Audited As at 31 Dec 2020 RM'000
CURRENT LIABILITIES		
Trade payables	3,517	2,953
Other payables	4,989	3,232
Lease liabilities	1,502	1,280
Bank borrowings	3,187	2,566
Tax payable	171	384
	13,366	10,415
TOTAL LIABILITIES	31,640	27,585
TOTAL EQUITY AND LIABILITIES	218,942	187,126
NET ASSETS PER SHARE (sen)	15.81 ⁽¹⁾	16.41 ⁽²⁾

Notes:

(1) Based on 1,184,502,220 ordinary shares in BHB as at 30 June 2021.

(2) Based on 972,061,829 ordinary shares in BHB as at 31 December 2020.

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 2020 and the accompanying explanatory notes attached to this interim financial report.

BIOALPHA HOLDINGS BERHAD (Registration No: 201101021398 (949536-X))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021

	<----- Non-Distributable ----->							Distributable			
	Share Capital	Treasury Shares	Warrant Reserve	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	99,764	(146)	16,853	837	(4,969)	(53)	(16,853)	70,113	165,546	(283)	165,263
Loss for the financial year	-	-	-	-	-	-	-	(41,147)	(41,147)	(1,077)	(42,224)
Foreign currency translation reserves	-	-	-	-	-	278	-	-	278	1	279
Total comprehensive loss	-	-	-	-	-	278	-	(41,147)	(40,869)	(1,076)	(41,945)
Transactions with owners											
Issuance of ordinary shares	23,122	-	-	-	-	-	-	-	23,122	-	23,122
Share options granted under SIS	-	-	-	794	-	-	-	-	794	-	794
Exercise of SIS	12,938	-	-	(1,403)	-	-	-	-	11,535	-	11,535
Share repurchased	-	(508)	-	-	-	-	-	-	(508)	-	(508)
Disposal of treasury shares	-	654	-	-	-	-	-	626	1,280	-	1,280
	36,060	146	-	(609)	-	-	-	626	36,223	-	36,223
Balance as at 31 December 2020	135,824	-	16,853	228	(4,969)	225	(16,853)	29,592	160,900	(1,359)	159,541

BIOALPHA HOLDINGS BERHAD (Registration No: 201101021398 (949536-X))

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

	Unaudited											
	<----- Non-Distributable ----->										Distributable	
	Share Capital	Treasury Shares	Warrant Reserve	SIS Option Reserve	Equity Components of ICPS	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2021	135,824	-	16,853	228	-	(4,969)	225	(16,853)	29,592	160,900	(1,359)	159,541
Profit for the financial period	-	-	-	-	-	-	-	-	3,029	3,029	(42)	2,987
Foreign currency translation reserves	-	-	-	-	-	-	295	-	75	370	-	370
Total comprehensive profit	-	-	-	-	-	-	295	-	3,104	3,399	(42)	3,357
Transactions with owners												
Issuance of ordinary shares	15,262	-	-	-	-	-	-	-	-	15,262	-	15,262
Issuance of equity components of ICPS	-	-	-	-	9,142	-	-	-	-	9,142	-	9,142
	15,262	-	-	-	9,142	-	-	-	-	24,404	-	24,404
Balance as at 30 June 2021	151,086	-	16,853	228	9,142	(4,969)	520	(16,853)	32,696	188,703	(1,401)	187,302

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 2020 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021

	Unaudited Current Period to date 30 Jun 2021 RM'000	Unaudited Preceding Corresponding Period to date 30 Jun 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	3,173	(13,503)
Adjustments for:		
Amortisation of intangible assets	2,136	2,050
Amortisation of deferred capital grant	(184)	(184)
Amortisation of biological assets	125	79
Amortisation of right-of-use assets	896	743
Bad debts written off	7	-
Depreciation of property, plant and equipment	4,092	3,689
Impairment losses on trade receivables	22	1,979
Interest expense	267	265
Interest income	(157)	(143)
Loss on disposal of property, plant and equipment	10	9
Property, plant and equipment written off	-	47
Reversal of slow-moving inventories	(617)	-
Rental income	(12)	(8)
Reversal of impairment losses on trade receivables	(1,453)	-
Share-based payment	-	794
Unrealised gain on foreign exchange	(630)	(166)
Operating profit / (loss) before working capital changes	7,675	(4,349)
Changes in working capital:		
Biological assets	(2,138)	(44)
Inventories	(1,084)	(5,148)
Trade receivables	(5,176)	14,505
Other receivables	(1,740)	(4)
Trade payables	566	(1,445)
Other payables	1,384	(85)
Cash (used in) / generated from operations	(513)	3430

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

	Unaudited Current Period to date 30 Jun 2021 RM'000	Unaudited Preceding Corresponding Period to date 30 Jun 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(267)	(161)
Interest received	157	143
Rental received	12	8
Tax refund	-	13
Tax paid	(196)	(208)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(807)	3,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional investment in subsidiary company	(545)	-
Addition in intangible assets	(1,584)	(6,378)
Additional in research and development	(1,092)	-
Additional in right-of-use assets	(739)	-
Purchase of property, plant and equipment	(7,763)	(4,361)
Proceeds from disposal of property, plant and equipment	47	4
NET CASH USED IN INVESTING ACTIVITIES	(11,676)	(10,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in fixed deposit pledged and maturity more than 3 months	(12)	(3)
Net change of bankers' acceptance	1,087	2,010
Proceed from issue of share capital	15,806	9,098
Proceed from issue of ICPS	9,142	-
Purchase of treasury shares	-	(508)
Drawdown / (Repayment) of lease liabilities	43	(574)
Drawdown / (Repayment) of term loans	866	(265)
NET CASH FROM FINANCING ACTIVITIES	26,932	9,758

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

	Unaudited Current Period to date 30 Jun 2021 RM'000	Unaudited Preceding Corresponding Period to date 30 Jun 2020 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,449	2,248
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	811	232
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	26,516	7,969
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	41,776	10,449
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	23,276	2,949
Fixed deposits with licensed banks	19,612	12,081
	42,888	15,030
Less: Fixed deposits pledged with licensed banks	(1,112)	(1,081)
Less: Fixed deposits maturity more than 3 months	-	(3,500)
	41,776	10,449

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 2020 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021

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, paragraph 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 2020 and the accompanying explanatory notes attached to this interim financial report.

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for the FYE 31 December 2020 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the FYE 31 December 2020 except as disclosed below:

Standard and amendments to published standards that are effective

On 1 January 2021, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 16 “Leases” on ‘COVID-19-Related Rent Concessions’.

The adoption of the above amendments to published standards did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

Standards issued but not yet effective:

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standard Board (“MASB”) where the effective has been deferred to a date to be determined by MASB and have not been applied by the Group:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

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

Standards issued but not yet effective (Cont'd):

		Effective dates for financial periods beginning on or after
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	Amendments to MFRS 1 Amendments to MFRS 9 Amendments to MFRS 16 Amendments to MFRS 141	1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A3. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

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 was no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period-to-date.

A7. Segmental information

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

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	10,267	5,912	17,147	12,257
Indonesia	2,059	259	3,344	446
China	17,571	221	34,189	221
Others	40	-	40	-
Total	29,937	6,392	54,720	12,924

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A7. Segmental information (Cont'd)

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

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Manufacturing & supply of health foods	26,357	1,667	47,829	3,695
Retail pharmacies	3,580	4,725	6,891	9,229
Total	29,937	6,392	54,720	12,924

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

	Unaudited	Audited
	Current quarter ended	Financial year-to-date
	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
Authorised and contracted for:		
Purchase of property, plant and equipment	4,500	4,500

A10. Changes in the composition of the Group

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 30 Jun 2021 RM'000	Audited Financial year-to- date 30 Jun 2020 RM'000
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Unsecured:

Performance bonds in relation to the
management of Herbal Integrated
Cluster Development

200

200

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue jumped more than four-fold to RM RM29.94 million as compared to RM6.39 million in the preceding year's corresponding quarter. The strong performance was on the back of higher contribution from the manufacturing and supply of health foods.

Further analyses of the performance of the Group's operating segments are as follows:

(i) Manufacturing and supply of health foods

Revenue generated from this segment for the current quarter rose 15 times or RM24.69 million to RM26.36 million, as compared to RM1.67 million in the preceding year's corresponding quarter ended 30 June 2020.

The higher turnover was mainly due to improved performance across all key markets in Malaysia, China and Indonesia. The growth in China is primarily attributable to the contribution from the Group's health food supply contract during the quarter as we continued to deliver ingredients for the preparation of health food and nutritional meals to customers in Guizhou province. Bioalpha Hainan contributed sales amounting to RM16.40 million in the current quarter.

Over in Malaysia, the Group focused on fulfilling local orders from Original Design Manufacturing ("ODM") clients as demand for immunity-boosting products remained strong. As a result, sales for the current quarter increased five-fold to RM6.68 million from RM1.19 million in the preceding year's corresponding quarter.

(ii) Retail pharmacies

Revenue generated from this segment for the current quarter amounted to RM3.58 million, as compared to RM4.73 million in the preceding year's corresponding quarter ended 30 June 2020. The decline was mainly due to weaker consumer sentiment and slower sales with reduced footfall at the pharmacy outlets following the restrictions arising from the implementation of various phases of the Movement Control Orders. Besides, the rising number of cases of COVID-19 nationwide has exacerbated the situation with less frequent visits from customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B1. Analysis of performance (Cont'd)

During the quarter under review, the net profit attributable to the owners of the parent quarter stood at RM1.50 million. By comparison, the Group recorded a net loss of RM7.93 million in the preceding year's corresponding quarter.

Comparison with immediate preceding quarter's results

The revenue for the second (2nd) quarter ended 30 June 2021 increased by RM5.16 million or 21% to RM29.94 million from RM24.78 million in the first (1st) quarter ended 31 March 2021. The stronger performance was underpinned by a recovery in our manufacturing of health supplements business across all our key markets in Malaysia, China and Indonesia. At the same time, Bioalpha Hainan has contributed over RM16.40 million worth of sales in the 2nd quarter.

B2. Prospects for the financial year ending 31 December 2021

For FY2021, the uncertainties arising from the COVID-19 pandemic are expected to persist, as new infections continue to surge worldwide with new COVID-19 variants. Nonetheless, we foresee consumer sentiment to gradually improve as mass vaccination programmes gather momentum worldwide, including Malaysia. Against this backdrop, we look forward to a recovery performance in FY2021, supported by a rebound in existing customers' orders, higher contribution from China as well as orders from new customers.

Moving forward, the Group continues to monitor and assess our cost structure to ensure it is aligned with operating activity while strengthening all our divisions. For our domestic manufacturing business, the Group remains focused on serving the needs of our ODM clients while securing new customers and expanding the Group's product pipeline to include more immunity-boosting offerings in view of rising COVID-19 cases nationwide.

As for our export business, the Group anticipates export sales to gradually improve in 2021 following trade activities normalization. Specifically, in China, the contract to supply health food and nutritional meals to the public and private sectors in China is expected to continue picking up pace in the coming quarters as the Group works to increase sourcing of high-value products (with higher profit margins) from other provinces to supply to Guizhou.

Collectively, the Group foresees our manufacturing business to pick up in 2021, underpinned by steady economic recovery and increased healthcare awareness due to the COVID-19 pandemic.

For our retail pharmacy business, we expect the operating landscape to remain challenging in line with low consumer confidence and reduced foot traffic due to MCO.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B2. Prospects for the financial year ending 31 December 2021 (Cont'd)

In conclusion, the Group is staying agile and resilient in the face of evolving market environment, underpinned by our ongoing strategic initiatives to strengthen our core operations and enhance income streams. Based on these developments, we expect Bioalpha's overall performance to improve for the financial year ending 31 December 2021.

B3. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee in any public documents.

B4. Foreign Exchange Exposure / Hedging policy

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are United States Dollar ("USD"), Chinese Renminbi ("CNY") and Singapore Dollar ("SGD").

The Group have not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	81	45	186	45
Deferred tax:				
- Origination and reversal of temporary differences	-	420	-	804
	81	465	186	849
Effective tax rate (%)	-	-	-	-

Bioalpha East Coast Agro Sdn Bhd ("BECASB"), another wholly-owned subsidiary of the Group, was awarded tax incentive by the Malaysian Investment Development Authority, which allows BECASB to enjoy 100% tax exemption on income after commercial production date is determined by the relevant authorities for a period of ten (10) years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B5. Taxation (Cont'd)

Bioalpha R&D Sdn Bhd (“**BRDSB**”), a wholly-owned subsidiary of the Group, was awarded BioNexus Status by the 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 ended 30 June 2018 and 20% concessionary tax rate on statutory income (10) years, upon expiry of the tax exemption period. BRDSB had on 28 November 2017 submitted an application to Malaysian Bioeconomy Development Corporation Sdn Bhd (“**Bioeconomy Corp**”) for the concessionary tax rate of 20% on statutory income for 10 years. The application is currently under review by Bioeconomy Corp, subject to the Ministry of Finance’s decision on the concessionary tax rate for BioNexus-status companies.

Bioalpha (Johor Herbal) Sdn Bhd (“**BJHSB**”), another subsidiary of the Group, was awarded an incentive by Ministry of Agriculture and Agro-Based Industry Malaysia, which allows BJHSB to enjoy 100% tax exemption on income for a period of ten (10) years commencing from 1 January 2018.

Bioalpha Hainan, another subsidiary of the Group which incorporated at China are taxed at the statutory rate of 15% on their chargeable incomes.

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

B6. Status of corporate proposals and utilisation of proceeds

- (a) Pursuant to the July 2020 Placement completed on 17 July 2020, the Company has issued a total of 94,309,700 new Bioalpha Shares at RM0.105 each and raised approximately RM9.90 million.

The status of the usage of the proceeds from the July 2020 Placement as at the LPD are as follows:

No.	Purpose	Proposed Usage RM'000	Actual Utilisation RM'000	Balance as at 31 Mar 2021 RM'000	Intended time Frame for Utilisation
(a)	Digitalisation expenses	3,000	(800)	2,200	Within 24 months
(b)	Development expenditure	3,762	(3,762)	-	Within 24 months
(c)	Marketing and advertising expenses	3,037	(637)	2,400	Within 24 months
(d)	Expenses for the private placement	104	(104)	-	Within 1 month
Total		<u>9,903</u>	<u>(5,303)</u>	<u>4,600</u>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B6. Status of corporate proposals and utilisation of proceeds (Cont'd)

- (b) On 26 November 2020, the Company has issued a total of 52,877,100 new Bioalpha Shares at RM0.25 each and raised approximately RM13.22 million.

The status of the usage of the proceeds from the November 2020 Placement as at the LPD are as follows:

No.	Purpose	Proposed Usage RM'000	Actual Utilisation RM'000	Balance as at 30 Jun 2021 RM'000	Intended time Frame for Utilisation
(a)	Working capital for Hainan operation	12,969	(10,019)	2,950	Within 12 months
(b)	Expenses for the private placement	250	(250)	-	Within 1 month
Total		<u>13,219</u>	<u>(10,269)</u>	<u>2,950</u>	

B7. Trade receivables

	Unaudited 30 Jun 2021 RM'000
Trade receivables	34,368
Less: Accumulated impairment losses	<u>(5,856)</u>
	<u>28,512</u>

The Group's normal trade credit terms ranged from 30 to 180 days. Other credit terms are assessed and approved on a case-to-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)**B8. Borrowings**

The Group's borrowings as at 30 Jun 2021 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	825	5,011	5,836
Unsecured			
Bankers' acceptance	2,362	-	2,362
Total bank borrowings	<u>3,187</u>	<u>5,011</u>	<u>8,198</u>

	Unaudited 30 Jun 2021 RM'000	Audited 31 Dec 2020 RM'000
Total bank borrowings	8,198	6,278
Less: Deposit, bank and cash balances	(42,888)	(27,622)
	<u>(34,690)</u>	<u>(21,344)</u>
Total equity	188,703	160,900
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 3.75% p.a. and 3.74% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial period ended 30 June 2021 and financial year ended 31 December 2020 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

B9. 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.

B10. Dividends

The Board did not recommend any dividend during the financial year ended ("FYE") 30 June 2021 (FYE 31 December 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net profit / (loss) attributable to owners of the parent	1,501	(7,932)	3,029	(13,434)
Weighted average number of ordinary shares in issue ('000)	1,127,555	916,016	1,119,060	888,113
Basic earnings per share (sen)	<u>0.133</u>	<u>(0.866)</u>	<u>0.271</u>	<u>(1.513)</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net profit / (loss) attributable to owners of the parent	1,501	(7,932)	3,029	(13,434)
Weighted average number of ordinary shares in issue ('000)	1,267,964	1,071,999	1,259,469	1,044,096
Diluted earnings per share (sen)	<u>0.118</u>	<u>(0.740)</u>	<u>0.240</u>	<u>(1.287)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2021 (CONT'D)

B12. Disclosure on selected expense/(income) items as required by the Listing Requirements

Included in profit before taxation are the following expense/(income) items:

	<Current quarter ended>		<Financial period-to-date>	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Jun	30 Jun	30 Jun	30 Jun
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	-	-	7	-
Depreciation and amortisation expenses	3,922	3,275	7,065	6,377
Loss on disposal of property, plant and equipment	-	-	10	9
Loss / (Gain) on foreign exchange				
- Realised	(47)	58	(125)	58
- Unrealised	(2)	(365)	(630)	166
Interest expenses	151	98	267	265
Interest income	(83)	(72)	(157)	(143)
Property, plant and equipment written off	-	46	-	47
Reversal of provision for slow moving inventories	-	-	(617)	-
Rental income	(5)	(4)	(12)	(8)
Recovery of impairment losses on trade receivables	(1,117)	-	(1,453)	-

There was no provision for 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.

BIOALPHA HOLDINGS BERHAD (Registration No: 201101021398 (949536-X))

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND (2nd)
QUARTER ENDED 30 JUNE 2021 (CONT'D)**

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 26 August 2021.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 26 August 2021