



BIOALPHA HOLDINGS BERHAD

(Registration No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021

	<--- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2020 RM'000
Revenue	28,368	6,871	82,895	19,795
Cost of sales	(23,176)	(9,907)	(69,012)	(25,209)
Gross profit / (loss)	5,192	(3,036)	13,883	(5,414)
Other incomes	1,338	679	4,842	1,342
Administrative expenses	(4,482)	(7,994)	(13,278)	(19,518)
Profit / (loss) from operations	2,048	(10,351)	5,447	(23,590)
Finance costs	(215)	(90)	(482)	(356)
Profit / (Loss) before taxation	1,833	(10,441)	4,965	(23,946)
Taxation	(334)	-	(520)	(849)
Profit / (Loss) for the financial period	1,499	(10,441)	4,445	(24,795)
Profit / (loss) for the financial period attributable to:				
- Owners of the parent	1,573	(9,709)	4,561	(23,908)
- Non-controlling interests	(74)	(732)	(116)	(887)
	1,499	(10,441)	4,445	(24,795)
Earnings per share attributable to owners of the parent (sen):				
- Basic	0.133	(0.935)	0.400	(2.423)
- Diluted	0.119	(0.813)	0.356	(2.093)

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 SEPTEMBER 2021

	Unaudited As at 30 Sep 2021 RM'000	Audited As at 31 Dec 2020 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	54,886	49,047
Intangible assets	49,269	47,733
Right-of-use assets	12,279	12,797
Goodwill on consolidation	5,384	5,384
	<u>121,818</u>	<u>114,961</u>
CURRENT ASSETS		
Biological assets	693	693
Inventories	11,012	7,164
Trade receivables	27,999	22,156
Other receivables	17,573	13,899
Tax recoverable	377	619
Other investments	12	12
Fixed deposits with licensed banks	27,624	16,101
Cash and bank balances	14,571	11,521
	<u>99,861</u>	<u>72,165</u>
TOTAL ASSETS	<u>221,679</u>	<u>187,126</u>
EQUITY		
Share capital	151,349	135,824
Reserves	39,184	25,076
Equity attributable to owners of the parent	<u>190,533</u>	<u>160,900</u>
Non-controlling interests	(1,475)	(1,359)
TOTAL EQUITY	<u>189,058</u>	<u>159,541</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,350	4,744
Bank borrowings	4,652	3,712
Deferred tax liabilities	9,025	8,714
	<u>18,027</u>	<u>17,170</u>

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

	Unaudited As at 30 Sep 2021 RM'000	Audited As at 31 Dec 2020 RM'000
CURRENT LIABILITIES		
Trade payables	4,293	2,953
Other payables	4,212	3,232
Lease liabilities	1,300	1,280
Bank borrowings	4,618	2,566
Tax payable	171	384
	14,594	10,415
TOTAL LIABILITIES	32,621	27,585
TOTAL EQUITY AND LIABILITIES	221,679	187,126
NET ASSETS PER SHARE (sen)	15.93 ⁽¹⁾	16.41 ⁽²⁾

Notes:

(1) Based on 1,186,502,220 ordinary shares in BHB as at 30 September 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

	Unaudited									Distributable	Total Equity	
	<----- Non-Distributable ----->											
	Share Capital	Warrant Reserve	SIS Option Reserve	Equity Components of ICPS	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total			Non-Controlling Interests
	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	-	-	-	-	-	-	-	4,561	4,561	(116)	4,445	
Foreign currency translation reserves	-	-	-	-	-	361	-	76	437	-	437	
Total comprehensive profit	-	-	-	-	-	361	-	4,637	4,998	(116)	4,882	
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	
Share option granted under SIS	-	-	(32)	-	-	-	-	-	(32)	-	(32)	
Exercise of SIS	263	-	-	-	-	-	-	-	263	-	263	
	15,525	-	(32)	9,142	-	-	-	-	24,635	-	24,635	
Balance as at 30 September 2021	151,349	16,853	196	9,142	(4,969)	586	(16,853)	34,229	190,533	(1,475)	189,058	

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021

	Unaudited Current Period to date 30 Sep 2021 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	4,965	(23,946)
Adjustments for:		
Amortisation of intangible assets	3,199	3,075
Amortisation of deferred capital grant	(276)	(276)
Amortisation of biological assets	80	99
Amortisation of right-of-use assets	1,373	1,026
Bad debts written off	797	1,921
Depreciation of property, plant and equipment	6,335	5,562
Impairment losses on trade receivables	262	1,600
Interest expense	482	356
Interest income	(294)	(234)
Loss on disposal of property, plant and equipment	10	79
Property, plant and equipment written off	-	47
Reversal of slow-moving inventories	(617)	-
Rental income	(18)	(15)
Reversal of impairment losses on trade receivables	(3,223)	-
Share-based payment	-	794
Unrealised gain on foreign exchange	(653)	5
Operating profit / (loss) before working capital changes	12,422	(9,907)
Changes in working capital:		
Biological assets	(2,259)	(82)
Inventories	(3,230)	(3,222)
Trade receivables	(3,926)	14,663
Other receivables	(2,882)	2,806
Trade payables	1,342	(981)
Other payables	699	(330)
Cash generated from operations	2,166	2,947

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

	Unaudited Current Period to date 30 Sep 2021 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(482)	(356)
Interest received	294	234
Rental received	18	15
Tax refund	50	3
Tax paid	(230)	(247)
NET CASH FROM OPERATING ACTIVITIES	1,816	2,596
CASH FLOWS FROM INVESTING ACTIVITIES		
Net changes of equity in subsidiary	(545)	-
Addition in intangible assets	(1,623)	(6,307)
Additional in research and development	(1,307)	-
Additional in right-of-use assets	(718)	-
Purchase of property, plant and equipment	(11,778)	(6,424)
Proceeds from disposal of property, plant and equipment	47	104
NET CASH USED IN INVESTING ACTIVITIES	(15,924)	(12,627)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in fixed deposit pledged and maturity more than 3 months	(4,024)	(3)
Net change of bankers' acceptance	1,362	2,010
Proceed from issue of share capital	16,036	21,239
Proceed from issue of ICPS	9,142	-
Purchase of treasury shares	-	(508)
Drawdown / (Repayment) of lease liabilities	(307)	(816)
Drawdown / (Repayment) of term loans	1,664	(1,074)
Resell of treasury shares	-	1,279
NET CASH FROM FINANCING ACTIVITIES	23,873	22,127

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

	Unaudited Current Period to date 30 Sep 2021 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2020 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,765	12,096
EFFECT OF EXCHANGE TRANSLATION		
DIFFERENCES	790	47
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>26,516</u>	<u>7,969</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>37,071</u></u>	<u><u>20,112</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	14,571	11,092
Fixed deposits with licensed banks	<u>27,624</u>	<u>13,601</u>
	42,195	24,693
Less: Fixed deposits pledged with licensed banks	(1,124)	(1,081)
Less: Fixed deposits maturity more than 3 months	<u>(4,000)</u>	<u>(3,500)</u>
	<u><u>37,071</u></u>	<u><u>20,112</u></u>

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 30 Sep 2021 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2020 RM'000
Malaysia	9,579	5,775	29,318	18,032
Indonesia	2,666	147	4,403	593
China	16,123	949	49,134	1,170
Others	-	-	40	-
Total	28,368	6,871	82,895	19,795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 Sep	30 Sep	30 Sep	30 Sep
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Manufacturing & supply of health foods	24,219	3,097	71,855	7,162
Retail pharmacies	4,149	3,774	11,040	12,633
Total	28,368	6,871	82,895	19,795

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 Current quarter ended 30 Sep 2021 RM'000	Audited Financial year-to- date 30 Sep 2020 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 30 Sep 2021 RM'000	Audited Financial year-to- date 30 Sep 2020 RM'000
Unsecured:		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	<u>200</u>	<u>200</u>

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue jumped more than four-fold to RM RM82.90 million as compared to RM19.80 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 8 times or RM21.12 million to RM24.22 million, as compared to RM3.10 million in the preceding year's corresponding quarter ended 30 September 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 RM16.1 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 almost three-fold or RM3.43 million to RM5.43 million from RM2.00 million in the preceding year's corresponding quarter.

(ii) Retail pharmacies

Revenue generated from this segment for the current quarter amounted to RM4.15 million, as compared to RM3.77 million in the preceding year's corresponding quarter ended 30 September 2020. The increase was mainly due to the higher foot traffic at our Constant pharmacy outlets, following the relaxation of lockdown measures in line with the National Recovery Plan.

During the quarter under review, the net profit attributable to the owners of the parent quarter stood at RM1.57 million. By comparison, the Group recorded a net loss of RM9.71 million in the preceding year's corresponding quarter.

Comparison with immediate preceding quarter's results

The revenue for the third (3rd) quarter ended 30 September 2021 amounted to RM28.37 million, as compared to RM29.94 million in the second (2nd) quarter ended 30 June 2021. This is mainly due to the lower contribution from Malaysia and China. During the quarter, Bioalpha Hainan contributed sales of over RM16.1 million (2QFY21: RM16.4 million). Meanwhile, in Indonesia, turnover increased 29.5% to RM2.7 million in the current quarter from RM2.1 million in the preceding quarter, as the COVID-19 situation improves.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

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 due to the reopening of countries' borders and economic activities. 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. Apart from that, Bioalpha is planning to commercialise its health formulations in China, via its recent joint venture with China-based Suzhou Medical system Technology Co. Ltd.

Elsewhere, Bioalpha has commenced the supply of COVID-19 screening solutions to South Sudan and look forward to the contribution from 4QFY21 onwards. Beyond South Sudan, we plan to extend the screening products to the other 5 countries under the East African Community ("EAC"), which has a combined population of 180 million.

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 Sep	30 Sep	30 Sep	30 Sep
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	-	-	186	45
Deferred tax:				
- Origination and reversal of temporary differences	334	-	334	804
	<u>334</u>	<u>-</u>	<u>520</u>	<u>849</u>
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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 30 Sep 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		9,903	(5,303)	4,600	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 Sep 2021 RM'000	Intended time Frame for Utilisation
(a)	Working capital for Hainan operation	12,969	(12,969)	-	Within 12 months
(b)	Expenses for the private placement	250	(250)	-	Within 1 month
Total		<u>13,219</u>	<u>(13,219)</u>	-	

B7. Trade receivables

	Unaudited 30 Sep 2021 RM'000
Trade receivables	33,118
Less: Accumulated impairment losses	<u>(5,119)</u>
	<u>27,999</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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)**B8. Borrowings**

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

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	2,123	4,652	6,775
Unsecured			
Bankers' acceptance	2,495	-	2,495
Total bank borrowings	<u>4,618</u>	<u>4,652</u>	<u>9,270</u>

	Unaudited 30 Sep 2021 RM'000	Audited 31 Dec 2020 RM'000
Total bank borrowings	9,270	6,278
Less: Deposit, bank and cash balances	(42,195)	(27,622)
	<u>(32,925)</u>	<u>(21,344)</u>
Total equity	190,533	160,900
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 2.98% p.a. and 3.70% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial period ended 30 September 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 September 2021 (FYE 31 December 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 Sep	30 Sep	30 Sep	30 Sep
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net profit / (loss) attributable to owners of the parent	1,573	(9,709)	4,561	(23,908)
Weighted average number of ordinary shares in issue ('000)	1,184,959	1,037,887	1,141,268	986,563
Basic earnings per share (sen)	0.133	(0.935)	0.400	(2.423)

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	30 Sep	30 Sep	30 Sep	30 Sep
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net profit / (loss) attributable to owners of the parent	1,573	(9,709)	4,561	(23,908)
Weighted average number of ordinary shares in issue ('000)	1,325,368	1,193,870	1,281,677	1,142,546
Diluted earnings per share (sen)	0.119	(0.813)	0.356	(2.093)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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:

	<i>Current quarter ended</i>		<i>Financial period-to-date</i>	
	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2020 RM'000
Bad debts written off	-	-	797	1,921
Depreciation and amortisation expenses	3,543	3,110	10,711	9,485
Impairment of goodwill	-	507	-	507
Loss on disposal of property, plant and equipment	-	70	10	79
(Gain) / Loss on foreign exchange				
- Realised	(64)	-	(189)	58
- Unrealised	(23)	170	(653)	5
Interest expenses	215	90	482	356
Interest income	(137)	(91)	(294)	(234)
Inventories written off	-	2,041	-	2,041
Property, plant and equipment written off	-	-	-	47
Reversal of provision for slow moving inventories	-	-	(617)	-
Rental income	(5)	(6)	(18)	(15)
Recovery of impairment losses on trade receivables	(980)	-	(3,223)	-

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.

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 25 November 2021.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 25 November 2021