



BIOALPHA HOLDINGS BERHAD
(Registration No: 201101021398 (949536-X))
(“BHB” OR THE “COMPANY”)

**INTERIM FINANCIAL REPORT FOR THE
THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020

	<--- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Revenue	6,871	17,276	19,795	43,791
Cost of sales	(9,907)	(10,353)	(25,209)	(27,660)
Gross (loss) / profit	<u>(3,036)</u>	<u>6,923</u>	<u>(5,414)</u>	<u>16,131</u>
Other incomes	679	680	1,342	2,759
Net loss on impairment of financial assets	(1,541)	-	(1,600)	-
Administrative expenses	(6,453)	(3,990)	(17,918)	(11,793)
(Loss) / profit from operations	<u>(10,351)</u>	<u>3,613</u>	<u>(23,590)</u>	<u>7,097</u>
Finance costs	(90)	(97)	(356)	(281)
(Loss) / profit before taxation	<u>(10,441)</u>	<u>3,516</u>	<u>(23,946)</u>	<u>6,816</u>
Taxation	-	(352)	(849)	(681)
(Loss) / profit for the financial period	<u><u>(10,441)</u></u>	<u><u>3,164</u></u>	<u><u>(24,795)</u></u>	<u><u>6,135</u></u>
(Loss) / profit for the financial period attributable to:				
- Owners of the parent	(9,709)	3,105	(23,908)	5,996
- Non-controlling interests	<u>(732)</u>	<u>59</u>	<u>(887)</u>	<u>139</u>
	<u><u>(10,441)</u></u>	<u><u>3,164</u></u>	<u><u>(24,795)</u></u>	<u><u>6,135</u></u>
Earnings per share attributable to owners of the parent (sen):				
- Basic	(0.935)	0.361	(2.423)	0.697
- Diluted	(0.813)	0.310	(2.093)	0.598

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 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Unaudited As at 30 Sep 2020 RM'000	Audited As at 31 Dec 2019 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	48,625	48,642
Intangible assets	48,898	44,539
Right-of-use assets	12,036	13,377
Goodwill on consolidation	5,384	5,891
	<u>114,943</u>	<u>112,449</u>
CURRENT ASSETS		
Biological assets	665	582
Inventories	13,359	10,137
Trade receivables	26,447	44,630
Other receivables	11,163	13,159
Tax recoverable	439	352
Other investments	12	11
Fixed deposits with licensed banks	13,601	9,682
Cash and bank balances	11,092	2,853
	<u>76,778</u>	<u>81,406</u>
TOTAL ASSETS	<u>191,721</u>	<u>193,855</u>
EQUITY		
Share capital	122,377	99,764
Reserves	42,068	65,783
Equity attributable to owners of the parent	<u>164,445</u>	<u>165,547</u>
Non-controlling interests	(1,170)	(283)
TOTAL EQUITY	<u>163,275</u>	<u>165,264</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,493	5,177
Bank borrowings	3,922	4,168
Deferred tax liabilities	8,893	8,108
	<u>17,308</u>	<u>17,471</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020 (CONT'D)

	Unaudited As at 30 Sep 2020 RM'000	Audited As at 31 Dec 2019 RM'000
CURRENT LIABILITIES		
Trade payables	3,236	4,218
Other payables	4,092	3,884
Lease liabilities	1,039	1,356
Bank borrowings	2,482	1,281
Tax payable	289	381
	11,138	11,120
TOTAL LIABILITIES	28,446	28,591
TOTAL EQUITY AND LIABILITIES	191,721	193,855
NET ASSETS PER SHARE (sen)	15.73 ⁽¹⁾	19.22 ⁽²⁾

Notes:

(1) Based on 1,055,893,732 ordinary shares in BHB as at 30 September 2020.

(2) Based on 860,209,032 ordinary shares in BHB as at 31 December 2019.

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 2019 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 2020

	Audited							Distributable			
	<----- Non-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 2019	99,764	-	16,853	837	(4,969)	(138)	(16,853)	62,127	157,621	(303)	157,318
Opening balance adjustment from adoption of MFRS 16	-	-	-	-	-	-	-	(329)	(329)	-	(329)
Balance as at 1 January 2019 (restated)	99,764	-	16,853	837	(4,969)	(138)	(16,853)	61,798	157,292	(303)	156,989
Profit for the financial year	-	-	-	-	-	-	-	8,316	8,316	9	8,325
Foreign currency translation reserves	-	-	-	-	-	85	-	-	85	11	96
Total comprehensive income	-	-	-	-	-	85	-	8,316	8,401	20	8,421
Transactions with owners											
Shares repurchased	-	(146)	-	-	-	-	-	-	(146)	-	(146)
Balance as at 31 December 2019	99,764	(146)	16,853	837	(4,969)	(53)	(16,853)	70,114	165,547	(283)	165,264

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

	Unaudited							Distributable		Non-Controlling Interests	Total Equity
	Non-Distributable							Retained Earnings	Total		
	Share Capital	Treasury Shares	Warrant Reserve	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve				
	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)	70,114	165,547	(283)	165,264
Loss for the financial period	-	-	-	-	-	-	-	(23,908)	(23,908)	(887)	(24,795)
Foreign currency translation reserves	-	-	-	-	-	(10)	-	10	-	-	-
Total comprehensive loss	-	-	-	-	-	(10)	-	(23,898)	(23,908)	(887)	(24,795)
Transactions with owners											
Exercises of SIS	22,613	-	-	(685)	-	-	-	-	21,928	-	21,928
Share options granted under SIS	-	-	-	106	-	-	-	-	106	-	106
Shares repurchased/resell	-	146	-	-	-	-	-	626	772	-	772
	22,613	146	-	(579)	-	-	-	-	22,806	-	22,806
Balance as at 30 September 2020	122,377	-	16,853	258	(4,969)	(63)	(16,853)	46,842	164,445	(1,170)	163,275

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 2019 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 2020

	Unaudited Current Period to date 30 Sep 2020 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(23,946)	6,816
Adjustments for:		
Amortisation of intangible assets	3,075	2,910
Amortisation of deferred capital grant	(276)	(276)
Amortisation of biological assets	99	270
Amortisation of right-of-use assets	1,026	-
Bad debts written off	1,921	-
Depreciation of property, plant and equipment	5,562	4,885
Impairment losses on trade receivables	1,600	-
Interest expense	355	281
Interest income	(234)	(397)
Loss on disposal of property, plant and equipment	79	-
Property, plant and equipment written off	47	10
Rental income	(15)	(25)
Reversal of impairment losses on trade receivables	-	(107)
Share-based payment	794	-
Unrealised loss/ (gain) on foreign exchange	5	(27)
Operating (loss) / profit before working capital changes	(9,908)	14,340
Changes in working capital:		
Biological assets	(82)	(67)
Inventories	(3,222)	(3,146)
Trade receivables	14,663	(1,624)
Other receivables	2,806	(1,731)
Trade payables	(981)	(353)
Other payables	(330)	841
Cash generated from operations	2,946	8,260

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

	Unaudited Current Period to date 30 Sep 2020 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(355)	(281)
Interest received	234	397
Rental received	15	25
Tax refund	3	245
Tax paid	(247)	(501)
NET CASH FROM OPERATING ACTIVITIES	2,596	8,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in intangible assets	(6,307)	(7,494)
Purchase of property, plant and equipment	(6,424)	(9,990)
Proceeds from disposal of property, plant and equipment	104	23
NET CASH USED IN INVESTING ACTIVITIES	(12,627)	(17,461)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decreased in fixed deposit pledged and maturity more than 3 months	(3)	10,808
Net change of bankers' acceptance	2,010	260
Proceeds from issue of share capital	21,239	-
Purchase of treasury shares	(508)	-
Repayment of lease liabilities	(816)	-
Repayment of finance lease liabilities	-	(130)
Repayment of term loans	(1,074)	(498)
Resell of treasury shares	1,279	-
NET CASH FROM FINANCING ACTIVITIES	22,127	11,107

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

	Unaudited Current Period to date 30 Sep 2020 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2019 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	12,096 47	1,791 17
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>7,969</u>	<u>6,085</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>20,112</u></u>	<u><u>7,893</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	11,092	2,517
Fixed deposits with licensed banks	<u>13,601</u>	<u>10,932</u>
	24,693	13,449
Less: Fixed deposits pledged with licensed banks	(1,081)	(1,056)
Less: Fixed deposits maturity more than 3 months	<u>(3,500)</u>	<u>(4,500)</u>
	<u><u>20,112</u></u>	<u><u>7,893</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 2019 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 2020

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020

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 2019 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 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the FYE 31 December 2019 except as disclosed below:

As of 1 January 2020, the Group have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRSs and amendments effective for annual period beginning on or after 1 January 2020:

Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3: Business Combinations (Definition of a Business)
Amendments to MFRS 7: Financial Instruments – Disclosure (Interest Rate Benchmark Reform)
Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
Amendments to MFRS 139: Financial Instruments – Recognition and Measurement (Interest Rate Benchmark Reform)

The adoption of the above pronouncement has no material financial impact to the Group.

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:

Amendments to MFRS 10: Consolidated Financial Statements (Sale or Contribution of Assets between Investor and its Associate or Joint Venture)
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Sale or Contribution of Assets between Investor and its Associate or Joint Venture)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

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 2019.

A3. Seasonal or cyclical factors

The Group's sales typically peak in the third (3rd) and fourth (4th) quarter of the calendar year with strong purchasing activities by customers in conjunction with their year-end festive promotional and marketing campaigns.

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

During the financial period-to-date, the Company increased its issued and paid up share capital (excluding share premium) from 860,209,032 as at 31 December 2019 to 1,055,893,732 as at 30 September 2020 by way of issuance of 195,684,700 new ordinary shares pursuant to the exercise of the Employees' Share Option Scheme.

As at 30 September 2020, there is no treasury shares have been held by the Company.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

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	
	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Malaysia	5,775	9,557	18,032	25,992
Indonesia	147	1,795	593	7,406
China	949	5,924	1,170	10,393
Total	6,871	17,276	19,795	43,791

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

	Current quarter ended		Period-to-date	
	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Manufacturing & sale of finished health supplement products	3,097	10,018	7,162	23,876
Retail pharmacies	3,774	7,258	12,633	19,915
Total	6,871	17,276	19,795	43,791

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

A9. Capital commitments

	Unaudited Current quarter ended 30 Sep 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 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

	Unaudited Current quarter ended 30 Sep 2020 RM'000	Audited Financial year-to- date 31 Dec 2019 RM'000
Unsecured:		
Performance bonds in relation to the management of Herbal Integrated Cluster Development	200	500

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 2020 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue dropped RM10.41 million or 60.24% to RM6.87 million as compared to RM17.28 million in the preceding year corresponding quarter. The soft performance was on the back of decline in contribution from both the manufacturing of health supplement products and retail pharmacy segments due to impact from the Novel Coronavirus ("COVID-19") and the resultant strict containment measures imposed by authorities across the markets we operate in, including Malaysia.

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

(i) Manufacturing and sale of finished health supplement products

Revenue generated from this segment for current quarter was RM3.10 million as compared to RM10.02 million in the preceding year's corresponding quarter ended 30 September 2019, representing a decline of RM6.92 million.

The lower turnover was mainly due to weaker demand from overseas. Nonetheless, the Group's export sales to China were slowly resuming following the implementation of the Conditional MCO which took effect from 4 May 2020. Moreover, on 22 July 2020, Bioalpha secured a major contract worth approximately RM2.10 billion to supply health food to the public and private sectors in China for a duration of five years. Following that, a subsidiary has been set up in the Hainan province of China on 26 August 2020. The new subsidiary, Bioalpha (Hainan) Health Biotechnology Limited, has contributed sales amounting to RM0.9 million in the current quarter, and will continue to contribute positively in the next quarter. Demand from Indonesia, meanwhile, remained soft as consumer sentiment weakened. As such, the Group focused on fulfilling local orders from the Original Design Manufacturing ("ODM") clients, where sales for current quarter stood at RM2.00 million as compared to RM2.30 million in the preceding year corresponding quarter.

(ii) Retail pharmacies

Revenue generated from this segment for the current quarter amounted to RM3.77 million as compared to RM7.26 million in the preceding year's corresponding quarter ended 30 September 2019. This was mainly due to much lower sales of house brand health supplement products at designated tourist destination spots which had been closed since January 2020 in the wake of the drop in Chinese tourist numbers due to international travel restrictions.

On the other hand, foot traffic at retail pharmacy outlets decreased during the quarter under review as consumers remained cautious on spending in anticipation of the end of the loan moratorium period on October 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

Further analyses of the performance of the Group's operating segments are as follows: (cont'd)

B1. Analysis of performance (cont'd)

During the quarter under review, the Group also incurred approximately RM1.54 million of impairment for trade receivables and stock written off amounting to about RM2 million. Consequently, net loss attributable to the owners of the parent for current quarter was RM9.71 million. By comparison, the Group recorded a net profit of RM3.11 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 2020 increased by RM0.48 million or 7.5% to RM6.87 million from RM6.39 million in the second (2nd) quarter ended 30 June 2020, as economic activities slowly recovered, softening the impact brought by the COVID-19 pandemic and the resultant MCO in previous quarter.

B2. Prospects for the financial year ending 31 December 2020

The Group expects the operating environment to remain challenging for both local and overseas markets, in line with the prevailing cautious consumer spending against the backdrop of uncertainties arising from the COVID-19 pandemic.

We continue to monitor the evolving operating landscape closely, and has embarked on various measures to mitigate the adverse impact of COVID-19 on our business, including adopting stricter cost control measures, improving asset utilisation and aligning the Group's cost structure with current production levels. Amongst the initiatives implemented include directors and key management personnel taking a 15% pay cut and reduction in overheads where feasible.

B2. Prospects for the financial year ending 31 December 2020 (cont'd)

As we move forward, the Group remains focused on conserving cash while strengthening our business segments. For the domestic manufacturing business, the Group continues its efforts to build a solid product pipeline, especially on immunity-related offerings, to cater to the demands of our existing ODM clients, while securing new customers. At the same time, Bioalpha aims to fill the existing supply shortage of imported health supplements products in Malaysia due to trade disruptions arising from the lockdown measures.

As for our export business, in view of the current development, the Group anticipates export sales to gradually recover in the last quarter of 2020, following trade activities normalization and gradual easing of government containment measures. Specifically, in China, the Group continues to work closely with distributors and partners there. Meanwhile, the newly-secured contract to supply health food and nutritional meals to the public and private sectors in China is expected to accelerate the Group's growth there, opening a new income stream and market segment.

Overall, we expect our manufacturing business to pick up in the end of FY2020, in tandem with the increase in healthcare awareness and year-end promotional campaigns.

On the retail pharmacy business, our efforts are channelled on improving customer services at the Constant outlets, while intensifying the Group's promotional and marketing initiatives. We believe the increased foot traffic would sustain as people prefer to visit community pharmacies such as Constant instead of those at the malls to avoid crowd in the present pandemic situation. We are also working towards enhancing our online presence to increase customer reach, leveraging on the greater adoption of e-commerce amongst consumers due to COVID-19 pandemic.

On balance, in view of the COVID-19 outbreak, the Group faces various challenges in the coming financial year ending 31 December 2020, and overall results performance would be lower than the previous year. Nevertheless, we are confident of navigating through these headwinds, supported by our ongoing initiatives, solid financial position and extensive experience of 15 years in the health supplement industry.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

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 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	-	9	45	308
- Over provision in prior period	-	-	-	(146)
	<u>-</u>	<u>9</u>	<u>45</u>	<u>162</u>
Deferred tax:				
- Origination and reversal of temporary differences	-	343	804	519
	<u>-</u>	<u>-</u>	<u>804</u>	<u>519</u>
	<u>-</u>	<u>352</u>	<u>849</u>	<u>681</u>
Effective tax rate (%)	-	10.01	-	9.99

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 2020 (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.

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

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 2020 RM'000	Intended time Frame for Utilisation
(a)	Digitalisation expenses	3,000	(800)	2,200	Within 24 months
(b)	Development expenditure	3,762	(1,450)	2,312	Within 24 months
(c)	Marketing and advertising expenses	3,037	(430)	2,607	Within 24 months
(d)	Expenses for the private placement	104	(104)	-	Within 1 month
Total		9,903	(2,784)	7,119	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

B7. Trade receivables

	Unaudited 30 Sep 2020 RM'000
Trade receivables	28,201
Less: Accumulated impairment losses	(1,754)
	<u>26,447</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.

B8. Borrowings

The Group's borrowings as at 30 Sep 2020 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	577	3,922	4,499
Unsecured			
Bankers' acceptance	1,905	-	1,905
Total bank borrowings	<u>2,482</u>	<u>3,922</u>	<u>6,404</u>

The Group's borrowings as at 30 Sep 2020 are as follows: (cont'd)

	Unaudited 30 Sep 2020 RM'000	Audited 31 Dec 2019 RM'000
Total bank borrowings	6,404	5,467
Less: Deposit, bank and cash balances	(24,693)	(12,535)
	<u>(18,289)</u>	<u>(7,068)</u>
Total equity	165,209	165,547
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 4.97% p.a. and 1.16% 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 2020 and financial year ended 31 December 2019 as the cash and cash equivalent of the Group and of the Company are sufficient to settle the outstanding debts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

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 period ended ("FPE") 30 September 2020 (FPE 30 September 2019: Nil).

B11. Earnings per share

The basic earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Net (loss) / profit attributable to owners of the parent	(9,709)	3,105	(23,908)	5,996
Weighted average number of ordinary shares in issue ('000)	1,037,887	860,209	986,563	860,209
Basic earnings per share (sen)	<u>(0.935)</u>	<u>0.361</u>	<u>(2.423)</u>	<u>0.697</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Net (loss) / profit attributable to owners of the parent	(9,709)	3,105	(23,908)	5,996
Weighted average number of ordinary shares in issue ('000)	1,193,870	1,002,842	1,142,546	1,002,842
Diluted earnings per share (sen)	<u>(0.813)</u>	<u>0.310</u>	<u>(2.093)</u>	<u>0.598</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (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:

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000	Unaudited 30 Sep 2020 RM'000	Unaudited 30 Sep 2019 RM'000
Bad debts written off	-	-	1,921	-
Depreciation and amortisation expenses	3,110	2,542	9,485	7,789
Loss on disposal of property, plant and equipment	70	-	79	-
Impairment of goodwill	507	-	507	-
Loss / (Gain) on foreign exchange				
- Realised	-	7	58	7
- Unrealised	170	(1)	5	(27)
Impairment losses on trade receivables	1,541	-	1,600	-
Interest expenses	90	97	355	281
Interest income	(91)	(58)	(234)	(397)
Inventories written off	2,041	-	2,041	-
Property, plant and equipment written off	-	-	47	10
Rental income	(6)	(6)	(15)	(25)
Reversal of impairment losses on trade receivables	-	(14)	-	(107)

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (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 25 November 2020.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 25 November 2020