



BIOALPHA HOLDINGS BERHAD

(Registration No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022

	<--- Individual Quarter --->		<--- Cumulative Quarter --->	
	Unaudited 31 Dec 2022 RM'000	Unaudited 31 Dec 2021 RM'000	Unaudited 31 Dec 2022 RM'000	Unaudited 31 Dec 2021 RM'000
Revenue	11,083	13,800	35,755	96,695
Cost of sales	(13,075)	(13,752)	(41,693)	(82,640)
Gross (loss)/profit	(1,992)	48	(5,938)	14,055
Other incomes	628	571	1,284	5,326
Administrative expenses	(26,623)	(5,885)	(41,702)	(19,189)
(Loss)/Profit from operations	(27,987)	(5,266)	(46,356)	192
Finance costs	(484)	(166)	(770)	(648)
Loss before taxation	(28,471)	(5,432)	(47,126)	(456)
Taxation	(150)	(539)	(502)	(1,059)
Loss for the financial period	(28,621)	(5,971)	(47,628)	(1,515)
Loss for the financial period attributable to:				
- Owners of the parent	(27,658)	(5,818)	(46,665)	(1,296)
- Non-controlling interests	(963)	(153)	(963)	(219)
	(28,621)	(5,971)	(47,628)	(1,515)
Earnings per share attributable to owners of the parent (sen):				
- Basic	(2.007)	(0.490)	(3.578)	(0.112)
- Diluted	(1.821)	(0.438)	(3.230)	(0.100)

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 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Unaudited As at 31 Dec 2022 RM'000	Audited As at 31 Dec 2021 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	58,875	71,587
Intangible assets	51,281	50,938
Goodwill on consolidation	5,334	5,334
	<u>115,490</u>	<u>127,859</u>
CURRENT ASSETS		
Biological assets	175	692
Inventories	8,496	10,132
Trade receivables	7,660	23,967
Other receivables	16,015	18,391
Tax recoverable	585	472
Other investments	9,027	12
Fixed deposits with licensed banks	22,791	11,624
Cash and bank balances	16,972	24,314
	<u>81,721</u>	<u>89,604</u>
TOTAL ASSETS	<u>197,211</u>	<u>217,463</u>
EQUITY		
Share capital	179,939	153,233
Reserves	(11,092)	33,441
Equity attributable to owners of the parent	<u>168,847</u>	<u>186,674</u>
Non-controlling interests	(1,103)	(335)
TOTAL EQUITY	<u>167,744</u>	<u>186,339</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,171	4,093
Contract liabilities	38	30
Other payables	128	171
Bank borrowings	2,955	4,519
Deferred tax liabilities	7,433	7,455
	<u>14,725</u>	<u>16,268</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONT'D)

	Unaudited As at 31 Dec 2022 RM'000	Audited As at 31 Dec 2021 RM'000
CURRENT LIABILITIES		
Trade payables	2,761	4,508
Other payables	6,245	3,310
Contract liabilities	749	1,084
Lease liabilities	553	1,111
Bank borrowings	3,997	4,824
Tax payable	437	19
	14,742	14,856
TOTAL LIABILITIES	29,467	31,124
TOTAL EQUITY AND LIABILITIES	197,211	217,463
NET ASSETS PER SHARE (sen)	12.17 ⁽¹⁾	15.57 ⁽²⁾

Notes:

(1) Based on 1,378,072,011 ordinary shares in BHB as at 31 December 2022.

(2) Based on 1,197,139,425 ordinary shares in BHB as at 31 December 2021.

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 2021 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022

	<----- Non-Distributable ----->							Distributable			
	Share Capital	ICPS	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 2021	135,825	-	16,853	228	(4,569)	226	(16,853)	29,211	160,921	(1,380)	159,541
Loss for the financial year	-	-	-	-	-	-	-	(1,286)	(1,286)	(238)	(1,524)
Foreign currency translation reserves	-	-	-	-	-	50	-	-	50	2	52
Total comprehensive loss	-	-	-	-	-	50	-	(1,286)	(1,236)	(236)	(1,472)
Transactions with owners											
Issuance of ordinary shares	14,806	-	-	-	-	-	-	-	14,806	-	14,806
Issuance of equity components of ICPS	-	9,142	-	-	-	-	-	-	9,142	-	9,142
Non-controlling interests arising from additional subscription of share in subsidiary company	-	-	-	-	-	-	-	32	32	(66)	(34)
Incorporation of subsidiary	-	-	-	-	-	-	-	-	-	617	617
Dilution in a subsidiary	-	-	-	-	-	-	-	-	-	730	730
Exercise of warrants	2,340	-	(1,336)	-	-	-	1,336	-	2,340	-	2,340
Share options granted under SIS	-	-	-	439	-	-	-	-	439	-	439
Exercise of SIS	262	-	-	(32)	-	-	-	-	230	-	230
	17,408	-	(1,336)	407	-	-	-	32	26,989	1,281	28,270
Balance as at 31 December 2021	153,233	9,142	15,517	635	(4,569)	276	(15,517)	27,957	186,674	(335)	186,339

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH (4th) QUARTER ENDED 31 December 2022 (CONT'D)

	Unaudited									Distributable	Total Equity
	<----- Non-Distributable ----->										
	Share Capital	ICPS	Warrant Reserve	SIS Option Reserve	Merger Deficits	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total		
	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 2022	153,233	9,142	15,517	635	(4,569)	276	(15,517)	27,957	186,674	(335)	186,339
Loss for the financial year	-	-	-	-	-	-	-	(46,665)	(46,665)	(963)	(47,628)
Foreign currency translation reserves	-	-	-	-	-	1,577	-	(53)	1,524	195	1,719
Total comprehensive loss	-	-	-	-	-	1,577	-	(46,718)	(45,141)	(768)	(45,909)
Transactions with owners											
Expiry of warrant	-	-	(13,882)	-	-	-	13,882	-	-	-	-
Non-controlling interests arising from additional subscription of share in subsidiary company	-	-	-	-	-	-	-	-	-	-	-
Share option granted under SIS	-	-	-	746	-	-	-	440	1,186	-	1,186
Exercise of SIS	23,861	-	-	(578)	-	-	-	-	23,283	-	23,283
New issuance of shares	2,845	-	(1,635)	-	-	-	1,635	-	2,845	-	2,845
	26,706	-	(15,517)	168	-	-	15,517	440	27,314	-	27,314
Balance as at 31 December 2022	179,939	9,142	-	803	(4,569)	1,853	-	(18,321)	168,847	(1,103)	167,744

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 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022

	Unaudited Current Period to date 31 Dec 2022 RM'000	Audited Preceding Corresponding Period to date 31 Dec 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(47,126)	(2,772)
Adjustments for:		
Amortisation of intangible assets	2,417	2,342
Amortisation of deferred capital grant	(405)	(368)
Amortisation of right-of-use assets	945	-
Bad debts written off	357	797
Biological assets written off	-	2
Depreciation of property, plant and equipment	8,600	10,238
Fair value loss on biological assets	517	-
Fair value loss on plantation expenditure	2,115	-
Equity settled share-based payment	948	440
Impairment losses on trade receivables	10,614	12
Impairment losses on other receivables	-	659
Impairment losses on goodwill	-	50
Impairment losses on research and development expenditure	621	-
Interest expense	770	567
Interest income	(527)	(376)
Inventories written off	759	246
Loss on disposal of property, plant and equipment	2	10
Gain of dilution of shares in a subsidiary	-	240
Gain on modification of lease contract	(84)	(2)
Property, plant and equipment written off	3,279	815
Provision for slow moving inventories	582	76
Reversal of slow-moving inventories	-	(617)
Rental income	(28)	(41)
Reversal of impairment losses on trade receivables	-	(1,667)
Unrealised gain on foreign exchange	270	(270)
Operating (loss)/profit before working capital changes	(15,374)	10,381
Changes in working capital:		
Inventories	968	(2,521)
Trade receivables	5,153	(801)
Other receivables	2,645	(14,350)
Trade payables	(1,507)	1,340
Other payables	3,295	1,478
Bill Payables	-	(504)
Revolving Credit	-	1,000
Contract liabilities	(327)	559
Cash used in operations	(5,147)	(3,418)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

	Unaudited Current Period to date 31 Dec 2022 RM'000	Audited Preceding Corresponding Period to date 31 Dec 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(27)	(62)
Rental received	28	-
Tax refund	-	50
Tax paid	(219)	(278)
NET CASH USED IN OPERATING ACTIVITIES	(5,365)	(3,708)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in intangible assets	(507)	(5,911)
Acquisition of shareholding of a subsidiary from non-controlling interest ("NCI")	-	(35)
Additional in right-of-use assets	(736)	-
Placement of other investment	(9,015)	-
Purchase of property, plant and equipment	(4,121)	(9,910)
Proceeds from disposal of property, plant and equipment	46	47
Proceeds from issuance of shares in a subsidiary through NCI	-	490
Incorporation of subsidiary from NCI	-	617
Interest received	527	380
NET CASH USED IN INVESTING ACTIVITIES	(13,806)	(14,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in fixed deposit pledged and maturity more than 3 months	2,994	7,476
Proceed from issue of share capital	-	14,806
Proceeds from exercise of employee share options	23,520	230
Proceed from issue of shares upon exercise of warrants	2,845	2,340
Proceed from issue of ICPS	-	9,142
Repayment of lease liabilities	(283)	(1,222)
(Repayment)/Drawdown of term loans	(2,327)	1,590
Interest paid	(743)	(506)
NET CASH FROM FINANCING ACTIVITIES	26,006	33,856

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

	Unaudited Current Period to date 31 Dec 2022 RM'000	Audited Preceding Corresponding Period to date 31 Dec 2021 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,835	15,826
EFFECT OF EXCHANGE TRANSLATION DIFFERENCES	(7)	(197)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	24,304	11,685
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	31,132	27,314
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	16,972	24,314
Fixed deposits with licensed banks	22,791	11,624
	39,763	35,938
Less: Fixed deposits pledged with licensed banks	(1,131)	(1,124)
Less: Fixed deposits maturity more than 3 months	(7,500)	(7,500)
	31,132	27,314

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 2022 and the accompanying explanatory notes attached to this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

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 2021 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 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the FYE 31 December 2021 except as disclosed below:

Standard and amendments to published standards that are effective

On 1 January 2022, the Group applied the following new published standard and amendments to published standards:

- Amendments to MFRS 16 on COVID-19 - Related Rent Concessions
- Amendments to MFRS 9, MFRS 139, MFRS7, MFRS 4 and MFRS 16 on Interest Rate Benchmark Reform – Phase 2

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 16	COVID-19 – Related Rent Concessions beyond 30 June 2021	1 April 2022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (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 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
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	Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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 112	Deferred Tax related to Assets and Liabilities arising from Single Transaction	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 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (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
	31 Dec	31 Dec	31 Dec	31 Dec
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	5,232	6,928	22,846	33,868
Indonesia	47	177	383	5,780
China	5,520	6,296	10,869	56,608
Others	284	399	1,657	439
Total	11,083	13,800	35,755	96,695

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (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
	31 Dec	31 Dec	31 Dec	31 Dec
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Manufacturing	2,555	4,137	12,287	25,680
Supply of health foods	5,520	6,296	10,869	56,608
Retail pharmacies	3,008	3,367	12,599	14,407
Total	11,083	13,800	35,755	96,695

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 31 Dec 2022 RM'000	Audited Financial year-to- date 31 Dec 2021 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 31 Dec 2022 RM'000	Audited Financial year-to- date 31 Dec 2021 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue for the financial period ended 31 December 2022 ("4QFY22") amounted to RM11.08 million, as compared to RM13.80 million in the preceding year's corresponding quarter ("4QFY21"). The softer performance was due to lower contribution across key divisions - manufacturing of nutritional products, supply of health foods to China, and retail pharmacy segments.

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

(i) Manufacturing and supply of health foods

For 4QFY22, our manufacturing operations recorded a revenue of RM2.56 million (4QFY21: RM4.14 million). Within this division, domestic manufacturing turnover amounted to RM2.22 million (4QFY21: RM3.56 million)

For FY2022, revenue for our manufacturing segment stood at RM12.29 million (FY2021: RM25.68 million), with domestic manufacturing sales amounting to RM10.25 million (FY2021: RM19.46 million).

Performance in FY2022 was impacted by cautious order volume by customers, coupled with supply chain disruptions which led to raw materials shortage and higher input cost during the year.

(ii) Supply of health foods

Supply of health foods segment recorded a marginal decline in 4QFY22 performance with revenue at RM5.52 million vis-à-vis RM6.30 million in 4QFY21.

As for FY2022, turnover for this segment came in at RM10.87 million, as compared to RM56.61 million in FY2021. During the year, our progress and deliveries of nutritional meals were adversely hampered by China's strict lockdown measures in adherence to its zero-COVID policy.

(iii) Retail pharmacies

Revenue generated from this segment for the current quarter amounted to RM3.01 million as compared to RM3.37 million in the preceding year's corresponding quarter ended 31 December 2021.

Meanwhile for FY2022, our retail pharmacy business posted a revenue of RM12.60 million, against RM14.41 million in FY2021.

The slower performance largely stemmed from major shortages in various prescription and over-the-counter drugs in Malaysia such as medicines for common flu, antibiotics, paracetamol and cough mixtures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

B1. Analysis of performance (cont'd)

During the quarter under review, the Group was impacted by higher cost of sales and subsequently incurred gross loss of RM1.99 million, as compared to a gross profit of RM0.05 million in 4QFY21. At the operating level, the Group recognized several one-off items amounting to approximately RM16.51 million, comprising impairment loss on trade receivables; research and development ("R&D") expenditure; fair value loss on plantation expenditure; property as well as plant and equipment ("PPE") and also provision for slow-moving inventories. Consequently, net loss attributable to the owners of the parent ("net loss") stood at RM27.66 million (4QFY21: net loss of RM5.82 million).

For the full year, net loss stood at RM46.67 million (FY2021: net loss of RM1.30 million), dragged by higher cost of sales and the aforementioned one-off items totaling RM18.0 million.

In FY2022, Bioalpha conducted a review of economic value of the Group's assets and in consultation with our auditors, have made a prudent decision to recognise several one-off impairments to reflect more accurately the revenue-generating ability of the assets. We also recorded provisions for trade receivables considering the slow collection in the past year. Nonetheless, our efforts to collect the outstanding receivables are still ongoing.

Comparison with immediate preceding quarter's results

The Group's turnover for the fourth (4th) quarter ended 31 December 2022 grew by 53% quarter-on-quarter to RM11.08 million, as compared to RM7.27 million in the third (3rd) quarter ended 30 September 2022 ("3QFY22").

In 4QFY22, revenue for our manufacturing of nutritional products segment increased marginally by 2.7% to RM2.56 million from RM2.49 million in 3QFY22. Within this segment, domestic manufacturing turnover amounted to RM2.2 million, as we continued to fulfill customers' demand. Meanwhile, turnover for the Group's supply of health foods to China recorded recovery to RM5.52 million from RM1.89 million in the prior quarter, following the easing of zero-COVID restrictions in December 2022. For our retail pharmacy business, revenue marginally grew by 4.2% to RM3.01 million, against RM2.89 million in 3QFY22.

Net loss for 4QFY22 stood at RM27.66 million (3QFY22: net loss of RM6.89 million).

B2. Prospects for the financial year ending 31 December 2023

The global economy is undergoing a period of uncertainties, with inflationary pressures and threat of recession. This has been exacerbated by ongoing geopolitical tensions, which resulted in prolonged supply chain disruptions and shortage of raw materials, leading to rising input costs. Nonetheless, we are encouraged by our operating performance in 4QFY22, which showed improvement across our key segments, particularly in China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

B2. Prospects for the financial year ending 31 December 2022 (cont'd)

For our domestic manufacturing operations, we are focused on fulfilling the orders of our Original Design Manufacturing (“ODM”) customers, while working to secure new ones. At the same time, we are also expanding our product offerings with more in-demand immunity-related products.

In China, there are positive developments as the country has since re-opened its economy and borders, which are expected to lead to increased demand for goods and services. This bodes well for Bioalpha, as we foresee contribution from our health food supply venture to gradually improve in line with the increase of nutritional meal deliveries to customers.

As for our retail pharmacy operations, we are on track to open more franchised outlets in 2023. Our focus remains on establishing community pharmacies to serve customers in neighbourhoods. As at end-2022, there were a total of 10 Constant pharmacy outlets across Klang Valley. In January to February 2023, we opened another three franchised Constant pharmacy outlets in Bukit Raja, Puncak Alam and Rimbayu, Selangor. Two more outlets are slated to open in Paramount, Petaling Jaya and Cyberjaya, Selangor in March and April 2023, respectively. We target to open up to 20 new outlets in 2023.

As we navigate through the external headwinds, we remain agile and committed in executing our strategic plans while keeping our costs in check. All in all, we believe that FY2023 performance to be driven by expected contributions from all our segments, barring unforeseen circumstances.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	150	-	502	186
- Over provision in prior year	-	(41)	-	(41)
	<u>150</u>	<u>(41)</u>	<u>502</u>	<u>145</u>
Deferred tax:				
- Origination and reversal of temporary differences	-	580	-	914
	<u>150</u>	<u>539</u>	<u>502</u>	<u>1,059</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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

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 Dec 2022 RM'000	Intended time Frame for Utilisation
(a)	Digitalisation expenses	3,000	(2,000)	1,000	Within 24 months
(b)	Development expenditure	3,762	(3,762)	-	Within 24 months
(c)	Marketing and advertising expenses	3,037	(2,287)	800	Within 24 months
(d)	Expenses for the private placement	104	(104)	-	Within 1 month
Total		<u>9,903</u>	<u>8,103</u>	<u>1,800</u>	

B7. Trade receivables

	Unaudited 31 Dec 2022 RM'000
Trade receivables	24,976
Less: Accumulated impairment losses	<u>(17,316)</u>
	<u>7,660</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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

B8. Borrowings

The Group's borrowings as at 31 December 2022 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Bankers' acceptance	1,387	-	1,387
Revolving credit	1,000	-	1,000
Term loans	1,610	2,955	4,565
Total bank borrowings	3,997	2,955	6,952

	Unaudited 31 Dec 2022 RM'000	Audited 31 Dec 2021 RM'000
Total bank borrowings	6,952	9,343
Less: Deposit, bank and cash balances	(39,763)	(35,938)
	(32,811)	(26,595)
Total equity	168,847	186,674
Gearing ratio (times)	*	*

Weighted average interest rate of term loans, bankers' acceptance and revolving credit are 4.60% p.a., 3.36% p.a. and 4.12% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial period ended 31 December 2022 and financial year ended 31 December 2021 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") 31 December 2022 (FYE 31 December 2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (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
	31 Dec	31 Dec	31 Dec	31 Dec
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net loss attributable to owners of the parent	(27,658)	(5,818)	(46,665)	(1,296)
Weighted average number of ordinary shares in issue ('000)	1,378,072	1,187,305	1,304,357	1,160,775
Basic earnings per share (sen)	<u>(2.007)</u>	<u>(0.490)</u>	<u>(3.578)</u>	<u>(0.112)</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net loss attributable to owners of the parent	(27,658)	(5,818)	(46,665)	(1,296)
Weighted average number of ordinary shares in issue ('000)	1,518,481	1,327,714	1,444,766	1,301,184
Diluted earnings per share (sen)	<u>(1.821)</u>	<u>(0.438)</u>	<u>(3.230)</u>	<u>(0.100)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2022 (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 31 Dec 2022 RM'000	Unaudited 31 Dec 2021 RM'000	Unaudited 31 Dec 2022 RM'000	Unaudited 31 Dec 2021 RM'000
Bad debts written off	357	-	357	797
Depreciation and amortisation expenses	2,647	1,281	11,557	11,992
Fair Value loss on				
- Biological assets	15	-	517	-
- Plantation expenditure	2,394	-	2,115	-
- Equity settled share-based payment	455	-	948	-
(Gain) / Loss on foreign exchange				
- Realised	(1)	-	5	(189)
- Unrealised	122	(15)	270	(668)
Interest expenses	484	166	770	648
Interest income	(144)	(90)	(527)	(384)
Inventories written off	-	6	759	6
Impairment losses on trade receivable	9,720	257	10,614	519
Impairment of goodwill	-	50	-	50
Impairment losses on research and development expenditure	621	-	621	-
Loss on disposal of property, plant and equipment	-	-	2	10
Property, plant and equipment written off	3,209	309	3,279	309
Provision for slow moving inventories	564	-	582	-
Reversal of slow-moving inventories	-	-	-	(617)
Rental income	(9)	(10)	(28)	(28)
Reversal of impairment losses on trade receivables	-	-	-	(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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th)
QUARTER ENDED 31 DECEMBER 2022 (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 23 February 2023.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 23 February 2023