



BIOALPHA HOLDINGS BERHAD

(Registration No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021

	<--- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Unaudited 31 Dec 2021 RM'000	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2021 RM'000	Unaudited 31 Dec 2020 RM'000
Revenue	13,800	16,721	96,695	36,515
Cost of sales	(13,752)	(22,164)	(82,640)	(47,373)
Gross profit / (loss)	48	(5,443)	14,055	(10,858)
Other incomes	571	466	5,326	1,487
Administrative expenses	(5,885)	(8,987)	(19,189)	(28,071)
Profit / (Loss) from operations	(5,266)	(13,964)	192	(37,442)
Finance costs	(166)	(148)	(648)	(503)
Loss before taxation	(5,432)	(14,112)	(456)	(37,945)
Taxation	(539)	(103)	(1,059)	(952)
Loss for the financial period	(5,971)	(14,215)	(1,515)	(38,897)
Loss for the financial period attributable to:				
- Owners of the parent	(5,818)	(13,985)	(1,296)	(37,781)
- Non-controlling interests	(153)	(230)	(219)	(1,116)
	(5,971)	(14,215)	(1,515)	(38,897)
Earnings per share attributable to owners of the parent (sen):				
- Basic	(0.490)	(1.297)	(0.112)	(3.701)
- Diluted	(0.438)	(1.133)	(0.100)	(3.211)

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 31 DECEMBER 2021

	Unaudited As at 31 Dec 2021 RM'000	Audited As at 31 Dec 2020 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	54,898	49,047
Intangible assets	51,619	47,733
Right-of-use assets	14,753	12,797
Goodwill on consolidation	5,334	5,384
	<u>126,604</u>	<u>114,961</u>
CURRENT ASSETS		
Biological assets	693	693
Inventories	10,103	7,164
Trade receivables	25,502	22,156
Other receivables	16,643	13,899
Tax recoverable	463	619
Other investments	3,295	12
Fixed deposits with licensed banks	11,624	16,101
Cash and bank balances	24,304	11,521
	<u>92,627</u>	<u>72,165</u>
TOTAL ASSETS	<u>219,231</u>	<u>187,126</u>
EQUITY		
Share capital	153,233	135,824
Reserves	33,932	25,076
Equity attributable to owners of the parent	<u>187,165</u>	<u>160,900</u>
Non-controlling interests	(298)	(1,359)
TOTAL EQUITY	<u>186,867</u>	<u>159,541</u>
NON-CURRENT LIABILITIES		
Lease liabilities	4,133	4,744
Bank borrowings	4,445	3,712
Deferred tax liabilities	9,605	8,714
	<u>18,183</u>	<u>17,170</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

	Unaudited As at 31 Dec 2021 RM'000	Audited As at 31 Dec 2020 RM'000
CURRENT LIABILITIES		
Trade payables	3,495	2,953
Other payables	4,533	3,232
Lease liabilities	1,153	1,280
Bank borrowings	4,833	2,566
Tax payable	167	384
	14,181	10,415
TOTAL LIABILITIES	32,364	27,585
TOTAL EQUITY AND LIABILITIES	219,231	187,126
NET ASSETS PER SHARE (sen)	15.61 ⁽¹⁾	16.41 ⁽²⁾

Notes:

(1) Based on 1,197,139,425 ordinary shares in BHB as at 31 December 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	Unaudited									Distributable	
	<----- Non-Distributable ----->										
	Share Capital	Warrant Reserve	SIS Option Reserve	Equity Components of ICPS	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 2021	135,824	16,853	228	-	(4,969)	225	(16,853)	29,592	160,900	(1,359)	159,541
Loss for the financial year	-	-	-	-	-	-	-	(1,296)	(1,296)	444	(852)
Foreign currency translation reserves	-	-	-	-	-	496	-	107	603	-	603
Total comprehensive loss	-	-	-	-	-	496	-	(1,189)	(693)	444	(249)
Transactions with owners											
Issuance of ordinary shares	17,146	-	-	-	-	-	-	-	17,146	-	17,146
Issuance of equity components of ICPS	-	-	-	9,142	-	-	-	-	9,142	-	9,142
Non-controlling interests arising from additional subscription of share in subsidiary company	-	-	-	-	-	-	-	-	-	617	617
Share option granted under SIS	-	-	439	-	-	-	-	-	439	-	439
Exercise of SIS	263	-	(32)	-	-	-	-	-	231	-	231
	17,409	-	407	9,142	-	-	-	-	26,958	617	27,575
Balance as at 31 December 2021	153,233	16,853	635	9,142	(4,969)	721	(16,853)	28,403	187,165	(298)	186,867

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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021

	Unaudited Current Period to date 31 Dec 2021 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(456)	(37,945)
Adjustments for:		
Amortisation of intangible assets	2,314	4,248
Amortisation of deferred capital grant	(368)	(368)
Amortisation of biological assets	123	110
Amortisation of right-of-use assets	1,817	1,375
Bad debts written off	797	3,144
Depreciation of property, plant and equipment	8,106	7,574
Equity settled share-based payment	439	794
Impairment losses on trade receivables	519	3,426
Impairment loss on goodwill	50	507
Interest expense	648	503
Interest income	(384)	(319)
Inventories written off	6	4,164
Loss on disposal of property, plant and equipment	10	78
Loss of dilution of shares in a subsidiary	240	-
Property, plant and equipment written off	309	47
Provision for slow moving inventories	-	680
Reversal of slow-moving inventories	(617)	-
Rental income	(28)	(14)
Reversal of impairment losses on trade receivables	(3,223)	-
Unrealised gain on foreign exchange	(668)	389
Operating profit / (loss) before working capital changes	9,634	(11,607)
Changes in working capital:		
Biological assets	(2,336)	(189)
Inventories	(2,327)	(1,902)
Trade receivables	(3,507)	12,903
Other receivables	(1,940)	(345)
Trade payables	545	(1,991)
Other payables	1,111	421
Cash generated from / (used in) operations	1,180	(2,710)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	Unaudited Current Period to date 31 Dec 2021 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(648)	(503)
Interest received	384	319
Rental received	28	14
Tax refund	43	3
Tax paid	(271)	(368)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	716	(3,245)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in intangible assets	(1,677)	(7,396)
Additional in research and development	(1,307)	-
Additional in right-of-use assets	(669)	-
Net placement of fixed deposits	-	(4,000)
Placement of other investment	(3,283)	-
Purchase of property, plant and equipment	(18,252)	(9,325)
Proceeds from disposal of property, plant and equipment	47	104
NET CASH USED IN INVESTING ACTIVITIES	(25,141)	(20,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in fixed deposit pledged and maturity more than 3 months	(24)	(23)
Drawdown hire purchase loans	-	100
Net change of bankers' acceptance	1,362	2,010
Proceed from issue of share capital	18,376	34,657
Proceed from issue of ICPS	9,142	-
Purchase of treasury shares	-	(508)
Repayment of lease liabilities	(606)	(1,032)
Drawdown / (Repayment) of term loans	1,671	(1,231)
Resell of treasury shares	-	1,279
NET CASH FROM FINANCING ACTIVITIES	29,921	35,252

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	Unaudited Current Period to date 31 Dec 2021 RM'000	Unaudited Preceding Corresponding Period to date 31 Dec 2020 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,496	11,390
EFFECT OF EXCHANGE TRANSLATION		
DIFFERENCES	2,787	(361)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>19,021</u>	<u>7,969</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u><u>27,304</u></u>	<u><u>18,998</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	24,304	11,498
Fixed deposits with licensed banks	<u>11,624</u>	<u>16,101</u>
	35,928	27,599
Less: Fixed deposits pledged with licensed banks	(1,124)	(1,101)
Less: Fixed deposits maturity more than 3 months	<u>(7,500)</u>	<u>(7,500)</u>
	<u><u>27,304</u></u>	<u><u>18,998</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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

A3. Seasonal or cyclical factors

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

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period-to-date.

A5. Material changes in estimates

There were no material changes in estimates of amounts reported in prior interim periods or prior year that would have a material effect on the current quarter's results.

A6. Debt and equity securities

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

A7. Segmental information

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

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	6,928	7,484	33,868	25,515
Indonesia	177	300	5,780	893
China	6,296	8,937	56,608	10,107
Others	399	-	439	-
Total	13,800	16,721	96,695	36,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 31 Dec 2021 RM'000	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2021 RM'000	Unaudited 31 Dec 2020 RM'000
Manufacturing & supply of health foods	10,433	13,091	82,288	20,253
Retail pharmacies	3,367	3,630	14,407	16,262
Total	13,800	16,721	96,695	36,515

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

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

A11. Contingent liabilities

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

B1. Analysis of performance

The Group's current quarter revenue for the financial period ended 31 December 2021 ("**4QFY21**") amounted to RM13.80 million, as compared to RM16.72 million in the preceding year's corresponding quarter ("**4QFY20**"). The softer performance was on the back of lower contribution from our key markets - Malaysia, Indonesia and China.

For the full year ended 31 December 2021 ("**FY2021**"), Group revenue grew more than two-fold to RM96.70 million from RM36.52 million in the previous year ("**FY2020**"). The higher turnover was primarily driven by increased contribution from the manufacturing and supply of health foods operations.

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

(i) Manufacturing and supply of health foods

For 4QFY21, the Group's manufacturing and supply of health foods business posted a revenue of RM10.4 million, against RM13.1 million in 4QFY20, mainly due to lower turnover from Malaysia, China and Indonesia.

In Malaysia, 4QFY21 revenue amounted to RM3.6 million (4QFY20: RM3.9 million) as the emergence of Omicron variant had affected consumer confidence, resulting in lower orders from customers. Over in China, the Chinese Government had implemented strict containment measures to curb the rising cases of virus infection in adherence to its zero-COVID policy. This led to delays in reopening of schools and prolong holidays, which in turn impacted our delivery of nutritional meals to schools during the quarter under review. As a result, contribution from China stood at RM6.3 million in 4QFY21 (4QFY20: RM8.9 million).

As for FY2021 performance, Bioalpha posted stronger sales across Malaysia, China and Indonesia with revenue for this segment rising 4-fold to RM82.3 million from RM20.3 million. In Malaysia, the Group focused on fulfilling local orders as demand for immunity-boosting products remained strong. Meanwhile, the growth in China stemmed from the Group's health food supply contract as we continued to deliver ingredients for the preparation of health food and nutritional meals to customers in the Guizhou province. For the full year, Bioalpha Hainan contributed a total of RM55.5 million in revenue

(ii) Retail pharmacies

The retail pharmacy business posted a revenue of RM3.4 million in 4QFY21, as compared to RM3.6 million in 4QFY20, mainly due to lower foot traffic at the pharmacy outlets. Consumer sentiment remained subdued, exacerbated by the Klang Valley flood that occurred in December 2021, affecting thousands of households in the area.

Meanwhile, FY2021 revenue from this segment amounted to RM14.4 million, as compared to RM16.3 million in FY2020. The decrease was mainly due to lower foot traffic at Constant Pharmacy outlets following the various phases of the Movement Control Order enforced during the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

B1. Analysis of performance (cont'd)

At Group level, for the quarter under review, net loss attributable to the owners of the parent narrowed to RM5.82 million from a net loss of RM13.99 million in 4QFY20. FY2021 net loss also lessened to RM1.30 million (FY2020: RM37.78 million).

Comparison with immediate preceding quarter's results

The revenue for the fourth (4th) quarter ended 31 December 2021 amounted to RM13.80 million, as compared to RM28.37 million in the third (3rd) quarter ended 30 September 2021, as we saw lower contribution from Malaysia, China and Indonesia due to reasons aforementioned. During the quarter, Bioalpha Hainan contributed sales of RM6.30 million (3QFY21: RM16.12 million).

B2. Prospects for the financial year ending 31 December 2022

Going into 2022, the COVID-19 pandemic continues to pose a risk to global economic recovery, with the Omicron variant causing the rising infection rates worldwide. Against this backdrop, Bioalpha strives to maintain smooth operations across our key markets, while remaining cognisant of the potential challenges and risks. As we move forward, we continue to monitor the evolving situation and take appropriate and timely action to mitigate the possible impact of the pandemic.

For the Group's domestic manufacturing business, we remain focused on growing our customer base and catering to the needs of our Original Design Manufacturing ("ODM") clients. We are also working hard to expand our product pipeline to include more immunity-boosting products in view of the COVID-19 pandemic.

For our export markets, we foresee sales to improve in 2022 following the gradual resumption of cross-border trade activities. For China, Bioalpha intends to deepen our market presence here driven by several of our on-going initiatives. We expect contribution to pick up from the Group's contract to supply health food and nutritional meals to the public and private sectors in China, as COVID-19 cases come under control along with the reopening of schools. Apart from that, Bioalpha is also planning to commercialise its health formulations in China, via its joint venture with China-based Suzhou Medical system Technology Co. Ltd.

In Indonesia, we anticipate a moderate rebound in customers' demand in line with improving consumer sentiments following the mass vaccination exercise nationwide.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

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

Meanwhile, we are already seeing contribution coming in from the supply of COVID-19 screening solutions to South Sudan in 4QFY21. We look forward to more contribution from this venture in 2022. 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, we anticipate the manufacturing and supply of health food operations to build momentum with higher interest for immunity supplements in 2022.

For our retail pharmacy business, we are undertaking a re-structuring/re-branding exercise to strengthen the competitive position of Constant Pharmacy. The operating landscape continues to remain challenging with low foot traffic at the outlets as consumers prefer to shop online.

Barring unforeseen circumstances, the Board expects the financial performance of the Group to be satisfactory in 2022.

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 2021 (CONT'D)

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Dec	31 Dec	31 Dec	31 Dec
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	-	56	186	101
- Over provision in prior year	(41)	-	(41)	-
	<u>(41)</u>	<u>56</u>	<u>145</u>	<u>101</u>
Deferred tax:				
- Origination and reversal of temporary differences	580	47	914	851
	<u>539</u>	<u>103</u>	<u>1,059</u>	<u>952</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 2021 (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 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	

B7. Trade receivables

	Unaudited 31 Dec 2021 RM'000
Trade receivables	30,662
Less: Accumulated impairment losses	(5,160)
	<u>25,502</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 2021 (CONT'D)**B8. Borrowings**

The Group's borrowings as at 31 December 2021 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Term loans	2,446	4,445	6,891
Unsecured			
Bankers' acceptance	2,387	-	2,387
Total bank borrowings	<u>4,833</u>	<u>4,445</u>	<u>9,278</u>

	Unaudited 31 Dec 2021 RM'000	Audited 31 Dec 2020 RM'000
Total bank borrowings	9,278	6,278
Less: Deposit, bank and cash balances	(35,928)	(27,622)
	<u>(26,650)</u>	<u>(21,344)</u>
Total equity	187,165	160,900
Gearing ratio (times)	*	*

Weighted average interest rate of term loans and bankers' acceptance are 2.76% p.a. and 3.72% 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 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**") 31 December 2021 (*FYE 31 December 2020: Nil*).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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
	31 Dec	31 Dec	31 Dec	31 Dec
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net loss attributable to owners of the parent	(5,818)	(13,985)	(1,296)	(37,781)
Weighted average number of ordinary shares in issue ('000)	1,187,305	1,078,027	1,160,775	1,020,774
Basic earnings per share (sen)	<u>(0.490)</u>	<u>(1.297)</u>	<u>(0.112)</u>	<u>(3.701)</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
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net loss attributable to owners of the parent	(5,818)	(13,985)	(1,296)	(37,781)
Weighted average number of ordinary shares in issue ('000)	1,327,714	1,234,010	1,301,184	1,176,757
Diluted earnings per share (sen)	<u>(0.438)</u>	<u>(1.133)</u>	<u>(0.100)</u>	<u>(3.211)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 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 31 Dec 2021 RM'000	Unaudited 31 Dec 2020 RM'000	Unaudited 31 Dec 2021 RM'000	Unaudited 31 Dec 2020 RM'000
Bad debts written off	-	22	797	3,144
Depreciation and amortisation expenses	1,281	3,501	11,992	12,939
Impairment of goodwill	50	-	50	507
Loss on disposal of property, plant and equipment	-	-	10	78
(Gain) / Loss on foreign exchange				
- Realised	-	-	(189)	58
- Unrealised	(15)	384	(668)	389
Interest expenses	166	148	648	503
Interest income	(90)	(86)	(384)	(319)
Inventories written off	6	2,135	6	4,223
Property, plant and equipment written off	309	-	309	47
Provision for slow moving inventories	-	680	-	680
Reversal of slow-moving inventories	-	-	(617)	-
Rental income	(10)	-	(28)	(14)
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 2021 (CONT'D)**

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 24 February 2022.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 24 February 2022