



BIOALPHA HOLDINGS BERHAD

(Registration No: 201101021398 (949536-X))

("BHB" OR THE "COMPANY")

INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022

	<--- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Unaudited 31 Mar 2022 RM'000	Unaudited 31 Mar 2021 RM'000	Unaudited 31 Mar 2022 RM'000	Unaudited 31 Mar 2021 RM'000
Revenue	9,666	24,783	9,666	24,783
Cost of sales	(9,936)	(20,707)	(9,936)	(20,707)
Gross (loss) / profit	(270)	4,076	(270)	4,076
Other incomes	166	1,296	166	1,296
Administrative expenses	(3,929)	(3,707)	(3,929)	(3,707)
(Loss) / Profit from operations	(4,033)	1,665	(4,033)	1,665
Finance costs	(96)	(116)	(96)	(116)
(Loss) / Profit before taxation	(4,129)	1,549	(4,129)	1,549
Taxation	(100)	(105)	(100)	(105)
(Loss) / Profit for the financial period	(4,229)	1,444	(4,229)	1,444
(Loss) / Profit for the financial period attributable to:				
- Owners of the parent	(4,000)	1,498	(4,000)	1,498
- Non-controlling interests	(229)	(54)	(229)	(54)
	(4,229)	1,444	(4,229)	1,444
Earnings per share attributable to owners of the parent (sen):				
- Basic	(0.331)	0.135	(0.331)	0.135
- Diluted	(0.296)	0.120	(0.296)	0.120

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

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

	Unaudited As at 31 Mar 2022 RM'000	Audited As at 31 Dec 2021 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	68,231	71,587
Intangible assets	51,630	50,938
Goodwill on consolidation	5,334	5,334
	<u>125,195</u>	<u>127,859</u>
CURRENT ASSETS		
Biological assets	440	692
Inventories	8,918	10,132
Trade receivables	23,679	23,967
Other receivables	18,325	18,391
Tax recoverable	447	472
Other investments	3,303	12
Fixed deposits with licensed banks	10,633	11,624
Cash and bank balances	23,858	24,314
	<u>89,603</u>	<u>89,604</u>
TOTAL ASSETS	<u>214,798</u>	<u>217,463</u>
EQUITY		
Share capital	156,078	153,233
Reserves	30,735	33,441
Equity attributable to owners of the parent	<u>186,813</u>	<u>186,675</u>
Non-controlling interests	(525)	(335)
TOTAL EQUITY	<u>186,288</u>	<u>186,339</u>
NON-CURRENT LIABILITIES		
Other payables	261	201
Lease liabilities	3,789	4,093
Bank borrowings	3,957	4,519
Deferred tax liabilities	7,433	7,455
	<u>15,440</u>	<u>16,268</u>

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

	Unaudited As at 31 Mar 2022 RM'000	Audited As at 31 Dec 2021 RM'000
CURRENT LIABILITIES		
Trade payables	3,456	4,508
Other payables	3,516	4,394
Lease liabilities	1,092	1,111
Bank borrowings	4,927	4,824
Tax payable	79	19
	<u>13,070</u>	<u>14,856</u>
TOTAL LIABILITIES	<u>28,510</u>	<u>31,124</u>
TOTAL EQUITY AND LIABILITIES	<u>214,798</u>	<u>217,463</u>
NET ASSETS PER SHARE (sen)	15.39 ⁽¹⁾	15.57 ⁽²⁾

Notes:

(1) Based on 1,210,072,011 ordinary shares in BHB as at 31 March 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 FIRST (1st) QUARTER ENDED 31 MARCH 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	135,824	-	16,853	228	(4,569)	227	(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 ICPS	-	9,142	-	-	-	-	-	-	9,142	-	9,142
Share options granted under SIS	-	-	-	439	-	-	-	-	439	-	439
Exercise of SIS	262	-	(1,336)	(32)	-	-	1,336	-	230	-	230
Exercise of warrants	2,340	-	-	-	-	-	-	-	2,340	-	2,340
Acquisition of NCI	-	-	-	-	-	-	-	32	32	(66)	(34)
Incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	617	617
Dilution in a subsidiary	-	-	-	-	-	-	-	-	-	730	730
	17,408	9,142	(1,336)	407	-	-	1,336	32	26,989	1,281	28,270
Balance as at 31 December 2021	153,232	9,142	15,517	635	(4,569)	277	(15,517)	27,957	186,674	(335)	186,339

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

	Unaudited										
	<----- 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 2022	153,232	9,142	15,517	635	(4,569)	277	(15,517)	27,957	186,674	(335)	186,339
Loss for the financial year	-	-	-	-	-	-	-	(4,001)	(4,001)	(229)	(4,230)
Foreign currency translation reserves	-	-	-	-	-	1,272	-	22	1,294	39	1,333
Total comprehensive loss	-	-	-	-	-	1,272	-	(3,979)	(2,707)	(190)	(2,897)
Transactions with owners											
Issuance of ordinary shares	2,846	-	-	-	-	-	-	-	2,846	-	2,846
	2,846	-	-	-	-	-	-	-	2,846	-	2,846
Balance as at 31 March 2022	156,078	9,142	15,517	635	(4,569)	1,549	(15,517)	23,978	186,813	(525)	186,288

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022

	Unaudited Current Period to date 31 Mar 2022 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(4,129)	1,549
Adjustments for:		
Amortisation of intangible assets	572	1,069
Amortisation of deferred capital grant	(59)	(92)
Amortisation of biological assets	-	57
Amortisation of right-of-use assets	487	239
Bad debts written off	-	7
Depreciation of property, plant and equipment	1,993	1,870
Fair value loss on biological assets	252	-
Fair value gain on plantation expenditure	(152)	-
Interest expense	96	116
Interest income	(58)	(75)
Loss on disposal of property, plant and equipment	-	10
Reversal of slow-moving inventories	-	(617)
Rental income	(7)	(7)
Reversal of impairment losses on trade receivables	-	(336)
Unrealised gain on foreign exchange	(136)	(628)
Operating (loss) / profit before working capital changes	(1,141)	3,162
Changes in working capital:		
Biological assets	-	(215)
Inventories	1,109	(1,184)
Trade receivables	115	(2,775)
Other receivables	(1,335)	(1,796)
Trade payables	(35)	1,680
Other payables	(760)	(366)
Cash used in operations	(2,047)	(1,494)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

	Unaudited Current Period to date 31 Mar 2022 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(96)	(116)
Interest received	58	75
Rental received	7	7
Tax paid	(37)	(129)
NET CASH USED IN OPERATING ACTIVITIES	(2,115)	(1,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in intangible assets	-	(1,584)
Additional in right-of-use assets	-	(90)
Net placement of fixed deposits	1,000	-
Purchase of property, plant and equipment	(1,769)	(3,791)
Proceeds from disposal of property, plant and equipment	47	47
NET CASH USED IN INVESTING ACTIVITIES	(722)	(5,418)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in fixed deposit pledged and maturity more than 3 months	(6)	(12)
Net change of bankers' acceptance	17	2,010
Proceed from issue of share capital	2,845	-
Repayment of lease liabilities	(400)	(268)
Repayment of term loans	(412)	(2,156)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	2,044	(426)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

	Unaudited Current Period to date 31 Mar 2022 RM'000	Unaudited Preceding Corresponding Period to date 31 Mar 2021 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(793)	(7,501)
EFFECT OF EXCHANGE TRANSLATION		
DIFFERENCES	348	653
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	26,305	22,516
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	25,860	15,668
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	23,858	4,668
Fixed deposits with licensed banks	10,633	16,112
	34,491	20,780
Less: Fixed deposits pledged with licensed banks	(1,131)	(1,112)
Less: Fixed deposits maturity more than 3 months	(7,500)	(4,000)
	25,860	15,668

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022

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 FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 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 FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 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 Mar	31 Mar	31 Mar	31 Mar
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	7,502	6,880	7,502	6,880
Indonesia	131	1,285	131	1,285
China	1,454	16,618	1,454	16,618
Others	579	-	579	-
Total	9,666	24,783	9,666	24,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)**A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 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 Mar	31 Mar	31 Mar	31 Mar
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Manufacturing	4,304	4,854	4,304	4,854
Supply of health foods	1,454	16,618	1,454	16,618
Retail pharmacies	3,908	3,311	3,908	3,311
Total	9,666	24,783	9,666	24,783

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 Mar 2022 RM'000	Audited Financial year-to- date 31 Mar 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 FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 31 Mar 2021 RM'000	Audited Financial year-to- date 31 Mar 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 FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue for the financial period ended 31 March 2022 ("**1QFY22**") amounted to RM9.7 million, as compared to RM24.8 million in the preceding year's corresponding quarter ("**1QFY21**"). The softer performance was on the back of lower contribution from the Group's supply of health foods operations in China, partially offset by improved performance of our other segments, namely the domestic manufacturing of nutritional products and retail pharmacy divisions.

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

(i) Manufacturing of nutritional products

For 1QFY22, our manufacturing operations recorded a revenue of RM4.3 million (1QFY21: RM4.9 million). Domestic manufacturing turnover amounted to RM3.6 million. Meanwhile, the Group's Indonesian revenue amounted to RM0.1 million (1QFY21: RM1.3 million) on the back of slower sales. At the same time, contribution from South Sudan was RM0.5 million in 1QFY22.

(ii) Supply of health foods

For 1QFY22, the Group's supply of health foods business posted a revenue of RM1.5 million, against RM16.6 million in 1QFY21, mainly due to lower turnover from China.

Over in China, the Chinese Government had implemented strict containment measures to curb latest wave of COVID-19 infections in adherence to its zero-COVID policy. This led to delays in reopening of schools and impacted our delivery of nutritional meals to schools since 4Q2021. As a result, contribution from China in current quarter stood at RM1.5 million in 1QFY22 (1QFY21: RM16.6 million).

(iii) Retail pharmacies

The retail pharmacy business posted higher revenue of RM3.9 million in 1QFY22, as compared to RM3.3 million in 1QFY21. The increase was mainly due to the higher foot traffic at our Constant pharmacy outlets, following the relaxation of lockdown measures in line with the National Recovery Plan.

At Group level, for the quarter under review, net loss attributable to the owners of the parent ("net loss") stood at RM4.0 million. (FY2021: net profit of RM1.5 million).

Comparison with immediate preceding quarter's results

The Group's revenue for the first (1st) quarter ended 31 March 2022 amounted to RM9.67 million, as compared to RM13.80 million in the fourth (4th) quarter ended 31 December 2021, as we saw lower contribution from China due to reasons aforementioned. During the quarter, Bioalpha Hainan contributed sales of RM1.50 million (4QFY21: RM6.30 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

B2. Prospects for the financial year ending 31 December 2022

In 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 with the gradual resumption of economic activities. 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.

Meanwhile, we are already seeing contribution coming in from the supply of COVID-19 screening solutions to South Sudan since 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (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	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000

Tax expense recognised in
profit or loss:

- Current tax provision	100	105	100	105
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Effective tax rate (%)	-	-	-	-
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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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)

B5. Taxation (Cont'd)

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

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

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

B6. Status of corporate proposals and utilisation of proceeds

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

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

No.	Purpose	Proposed Usage RM'000	Actual Utilisation RM'000	Balance as at 31 Mar 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	(1,787)	1,250	Within 24 months
(d)	Expenses for the private placement	104	(104)	-	Within 1 month
Total		<u>9,903</u>	<u>(7,653)</u>	<u>2,250</u>	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (CONT'D)**B7. Trade receivables**

	Unaudited 31 Mar 2022 RM'000
Trade receivables	29,323
Less: Accumulated impairment losses	(5,644)
	<u>23,679</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 31 March 2022 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Bankers' acceptance	1,671	-	1,671
Revolving credit	1,000	-	1,000
Term loans	2,256	3,957	6,213
Total bank borrowings	<u>4,927</u>	<u>3,957</u>	<u>8,884</u>

	Unaudited 31 Mar 2022 RM'000	Audited 31 Dec 2021 RM'000
Total bank borrowings	8,884	9,343
Less: Deposit, bank and cash balances	(34,491)	(35,938)
	<u>(25,607)</u>	<u>(26,595)</u>
Total equity	186,813	186,675
Gearing ratio (times)	*	*

Weighted average interest rate of term loans, bankers' acceptance and revolving credit are 2.76% p.a., 3.76% p.a. and 3.84% p.a., and are subject to the floating interest rate and fixed interest rate, respectively.

* Gearing ratio not applicable for financial period ended 31 March 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2022 (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**") 31 March 2022 (*FYE 31 December 2021: Nil*).

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 Mar	31 Mar	31 Mar	31 Mar
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net (loss) / profit attributable to owners of the parent	(4,000)	1,498	(4,000)	1,498
Weighted average number of ordinary shares in issue ('000)	1,210,072	1,110,471	1,210,072	1,110,471
Basic earnings per share (sen)	<u>(0.331)</u>	<u>0.135</u>	<u>(0.331)</u>	<u>0.135</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited	Unaudited	Unaudited	Unaudited
	31 Mar	31 Mar	31 Mar	31 Mar
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net (loss) / profit attributable to owners of the parent	(4,000)	1,498	(4,000)	1,498
Weighted average number of ordinary shares in issue ('000)	1,350,481	1,250,029	1,350,481	1,250,029
Diluted earnings per share (sen)	<u>(0.296)</u>	<u>0.120</u>	<u>(0.296)</u>	<u>0.120</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 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 Mar 2022 RM'000	Unaudited 31 Mar 2021 RM'000	Unaudited 31 Mar 2022 RM'000	Unaudited 31 Mar 2021 RM'000
Bad debts written off	-	7	-	7
Depreciation and amortisation expenses	2,993	3,143	2,993	3,143
Loss on disposal of property, plant and equipment	-	10		10
Gain on foreign exchange				
- Realised	(3)	(77)	(3)	(77)
- Unrealised	(136)	(628)	(136)	(628)
Fair value loss / (gain)				
- Biological assets	252	-	252	-
- Plantation expenditure	(152)	-	(152)	-
Interest expenses	96	116	96	116
Interest income	(58)	(75)	(58)	(75)
Reversal of slow-moving inventories	-	(617)	-	(617)
Rental income	(7)	(7)	(7)	(7)
Reversal of impairment losses on trade receivables	-	(336)	-	(336)

There was no provision for gain or loss on disposal of quoted and unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period-to-date.

C. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board in accordance with a resolution of the Board dated 26 May 2022.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 26 May 2022