



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

**INTERIM FINANCIAL REPORT FOR THE
THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022**

Contents	Page
Unaudited Condensed Consolidated Statement of Comprehensive Income	1
Unaudited Condensed Consolidated Statement of Financial Position	2
Unaudited Condensed Consolidated Statement of Changes in Equity	4
Unaudited Condensed Consolidated Statement of Cash Flows	6
Notes to the Unaudited Condensed Consolidated Financial Statements	9

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022

	<--- Individual Quarter ---->		<---- Cumulative Quarter ---->	
	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Revenue	7,265	28,368	24,673	82,895
Cost of sales	(8,626)	(23,176)	(28,618)	(69,012)
Gross (loss) / profit	<u>(1,361)</u>	<u>5,192</u>	<u>(3,945)</u>	<u>13,883</u>
Other incomes	306	1,338	656	4,842
Administrative expenses	(5,736)	(4,482)	(15,072)	(13,278)
(Loss) / Profit from operations	<u>(6,791)</u>	<u>2,048</u>	<u>(18,361)</u>	<u>5,447</u>
Finance costs	(96)	(215)	(293)	(482)
(Loss) / Profit before taxation	<u>(6,887)</u>	<u>1,833</u>	<u>(18,654)</u>	<u>4,965</u>
Taxation	(150)	(334)	(352)	(520)
(Loss) / Profit for the financial period	<u><u>(7,037)</u></u>	<u><u>1,499</u></u>	<u><u>(19,006)</u></u>	<u><u>4,445</u></u>
(Loss) / Profit for the financial period attributable to:				
- Owners of the parent	(6,892)	1,573	(18,532)	4,561
- Non-controlling interests	<u>(145)</u>	<u>(74)</u>	<u>(474)</u>	<u>(116)</u>
	<u><u>(7,037)</u></u>	<u><u>1,499</u></u>	<u><u>(19,006)</u></u>	<u><u>4,445</u></u>
Earnings per share attributable to owners of the parent (sen):				
- Basic	(0.500)	0.133	(1.507)	0.400
- Diluted	(0.454)	0.119	(1.353)	0.356

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 30 SEPTEMBER 2022

	Unaudited As at 30 Sep 2022 RM'000	Audited As at 31 Dec 2021 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	64,762	71,587
Intangible assets	52,491	50,938
Goodwill on consolidation	5,334	5,334
	<u>122,587</u>	<u>127,859</u>
CURRENT ASSETS		
Biological assets	190	692
Inventories	8,965	10,132
Trade receivables	19,503	23,967
Other receivables	16,315	18,391
Tax recoverable	540	472
Other investments	3,452	12
Fixed deposits with licensed banks	32,145	11,624
Cash and bank balances	22,494	24,314
	<u>103,604</u>	<u>89,604</u>
TOTAL ASSETS	<u>226,191</u>	<u>217,463</u>
EQUITY		
Share capital	180,024	153,233
ICPS	9,142	9,142
Reserves	7,786	24,299
Equity attributable to owners of the parent	<u>196,952</u>	<u>186,674</u>
Non-controlling interests	(771)	(335)
TOTAL EQUITY	<u>196,181</u>	<u>186,339</u>
NON-CURRENT LIABILITIES		
Other payables	188	201
Lease liabilities	2,957	4,093
Bank borrowings	3,292	4,519
Deferred tax liabilities	7,433	7,455
	<u>13,870</u>	<u>16,268</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (CONT'D)

	Unaudited As at 30 Sep 2022 RM'000	Audited As at 31 Dec 2021 RM'000
CURRENT LIABILITIES		
Trade payables	3,939	4,508
Other payables	6,668	4,394
Lease liabilities	1,208	1,111
Bank borrowings	4,038	4,824
Tax payable	287	19
	16,140	14,856
TOTAL LIABILITIES	30,010	31,124
TOTAL EQUITY AND LIABILITIES	226,191	217,463
NET ASSETS PER SHARE (sen)	14.24 ⁽¹⁾	15.57 ⁽²⁾

Notes:

(1) Based on 1,378,072,011 ordinary shares in BHB as at 30 September 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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	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	-	-	-	-	-	-	-	(18,532)	(18,532)	(474)	(19,006)
Foreign currency translation reserves	-	-	-	-	-	1,995	-	(44)	1,951	38	1,989
Total comprehensive loss	-	-	-	-	-	1,995	-	(18,576)	(16,581)	(436)	(17,017)
Transactions with owners											
Share options granted under SIS	-	-	-	493	-	-	-	-	493	-	493
Exercise of SIS	23,946	-	-	(426)	-	-	-	-	23,520	-	23,520
Issuance of ordinary shares	2,846	-	-	-	-	-	-	-	2,846	-	2,846
	26,792	-	-	67	-	-	-	-	26,859	-	26,859
Balance as at 30 September 2022	180,024	9,142	15,517	702	(4,569)	2,272	(15,517)	9,381	196,952	(771)	196,181

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022

	Unaudited Current Period to date 30 Sep 2022 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(18,654)	4,965
Adjustments for:		
Amortisation of intangible assets	1,717	3,199
Amortisation of deferred capital grant	(134)	(276)
Amortisation of biological assets	-	80
Amortisation of right-of-use assets	1,005	1,373
Bad debts written off	-	797
Depreciation of property, plant and equipment	6,322	6,335
Fair value loss on biological assets	502	-
Fair value gain on plantation expenditure	(279)	-
Fair value loss on share-based payment	493	-
Gain on modification of lease contract	(84)	-
Impairment losses on trade receivables	894	262
Interest expense	293	482
Interest income	(383)	(294)
Inventories written off	789	-
Loss on disposal of property, plant and equipment	3	10
Property, plant and equipment written off	70	-
Reversal of slow-moving inventories	-	(617)
Rental income	(19)	(18)
Reversal of impairment losses on trade receivables	-	(3,223)
Unrealised loss/ (gain) on foreign exchange	149	(653)
Operating (loss) / profit before working capital changes	(7,316)	12,422
Changes in working capital:		
Biological assets	-	(2,259)
Inventories	1,074	(3,230)
Trade receivables	3,397	(3,926)
Other receivables	(1,204)	(2,882)
Trade payables	(341)	1,342
Other payables	2,394	699
Cash (used in) / generated from operations	(1,996)	2,166

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

	Unaudited Current Period to date 30 Sep 2022 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)		
Interest paid	(293)	(482)
Interest received	383	294
Rental received	19	18
Tax refund	-	50
Tax paid	(173)	(230)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(2,060)	1,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional investment in subsidiary company	-	(545)
Addition in intangible assets	-	(1,623)
Additional in research and development	78	(1,307)
Additional in right-of-use assets	-	(718)
Purchase of property, plant and equipment	(3,219)	(11,778)
Proceeds from disposal of property, plant and equipment	46	47
NET CASH USED IN INVESTING ACTIVITIES	(3,095)	(15,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in fixed deposit pledged and maturity more than 3 months	2,994	(4,024)
Net change of bankers' acceptance	426	1,362
Proceed from issue of share capital	26,365	16,036
Proceed from issue of ICPS	-	9,142
Repayment of lease liabilities	(842)	(307)
(Repayment)/ Drawdown of term loans	(2,375)	1,664
NET CASH FROM FINANCING ACTIVITIES	26,568	23,873

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

	Unaudited Current Period to date 30 Sep 2022 RM'000	Unaudited Preceding Corresponding Period to date 30 Sep 2021 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,413	9,765
EFFECT OF EXCHANGE TRANSLATION		
DIFFERENCES	290	790
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	24,305	26,516
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	46,008	37,071
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	22,494	14,571
Fixed deposits with licensed banks	32,145	27,624
	54,639	42,195
Less: Fixed deposits pledged with licensed banks	(1,131)	(1,124)
Less: Fixed deposits maturity more than 3 months	(7,500)	(4,000)
	46,008	37,071

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Malaysia	5,133	9,579	17,781	29,318
Indonesia	96	2,666	334	4,403
China	1,943	16,123	5,412	49,134
Others	93	-	1,146	40
Total	7,265	28,368	24,673	82,895

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Manufacturing	2,489	8,026	9,528	23,508
Supply of health foods	1,890	16,193	5,351	48,347
Retail pharmacies	2,886	4,149	9,794	11,040
Total	7,265	28,368	24,673	82,895

A8. Valuation of property, plant and equipment

The Group has not carried out any valuation of its property, plant and equipment in the current quarter.

A9. Capital commitments

	Unaudited Current quarter ended 30 Sep 2022 RM'000	Audited Financial year-to- date 30 Sep 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

A. EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

A11. Contingent liabilities

	Unaudited Current quarter ended 30 Sep 2022 RM'000	Audited Financial year-to- date 30 Sep 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

B1. Analysis of performance

The Group's current quarter revenue for the financial period ended 30 September 2022 ("**3QFY22**") amounted to RM7.3 million, as compared to RM28.4 million in the preceding year's corresponding quarter ("**3QFY21**"). 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 of nutritional products

For 3QFY22, our manufacturing operations recorded a revenue of RM2.5 million (3QFY21: RM8.0 million). Domestic manufacturing turnover amounted to RM2.2 million (3QFY21: RM5.4 million), mainly due to supply chain disruptions that led to raw materials shortage and higher input cost.

(ii) Supply of health foods

For 3QFY22, the Group's supply of health foods to China had yet to recover, having posted a revenue of RM1.9 million against RM16.2 million in 3QFY21. This was primarily attributable to the prolonged strict containment measures to curb COVID-19 infections in adherence to its zero-COVID policy, which led to intermittent lockdowns that had adversely impacted our delivery of nutritional meals.

(iii) Retail pharmacies

Revenue generated from this segment for the current quarter amounted to RM2.9 million as compared to RM4.1 million in the preceding year's corresponding quarter ended 30 September 2021. The decrease 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. The Group is in the midst of expanding its pharmacy network with 4 new upcoming outlets at Bukit Raja, Setia Alam; Rimbayu, Kota Kemuning; Puncak Alam, Shah Alam and Paramount, Petaling Jaya.

During the quarter under review, the Group incurred gross loss of RM1.4 million, as compared to a gross profit of RM5.2 million in 3Q2021. Meanwhile, at the operating level, there was impairment losses on trade receivables, which amounted to approximately RM600k. Consequently, net loss attributable to the owners of the parent ("net loss") stood at RM6.9 million (3QFY21: net profit of RM1.6 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

B1. Analysis of performance (cont'd)

Comparison with immediate preceding quarter's results

The Group's revenue for the third (3rd) quarter ended 30 September 2022 amounted to RM7.3 million, as compared to RM7.7 million in the second (2nd) quarter ended 30 June 2022, as we saw lower contribution from the manufacturing of nutritional products, supply of health foods to China, and retail pharmacy divisions due to reasons aforementioned. During the quarter under review, Bioalpha Hainan contributed sales of RM1.9 million (2QFY22: RM2.0 million).

B2. Prospects for the financial year ending 31 December 2022

The global economy, with the exception of China which is still sticking to a zero Covid policy, is gradually recovering post the Covid 19 pandemic. Nevertheless, new threats have emerged in the form of rising input cost and inflations. Against this backdrop, Bioalpha strives to maintain optimal operations across our key markets, while cognisant of the challenges and risks.

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 expanding our product pipeline especially for supplements that boost immune system which are seeing greater demand. Furthermore, we expect orders to increase in 4QFY22 in conjunction with our customers' year-end promotional activities.

Over in China, we foresee the contribution from our supply of health foods would only recover upon upliftment of lockdown measures. In the meantime, we strive our best to optimize our operating cost in the country, and concentrate our delivery efforts to customers where possible. Apart from that, our Group's plan to commercialise health formulations in China via joint venture with China-based Suzhou Medical system Technology Co. Ltd. is ongoing.

For our retail pharmacy business, expansion plans are afoot with new franchised outlets set to open by year-end. We continue to focus on establishing community pharmacies to serve customers in the neighbourhood as compared to shopping malls where rentals are much higher.

As we move forward, we continue to monitor the evolving situation and take appropriate mitigation actions. Amidst the taxing environment, we are keeping our operating cost in check and conserve our cash flow. Barring unforeseen circumstances, the Board of Directors opines that FY2022 performance to be driven by, expected contributions from the manufacturing and retail pharmacy segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 Hong Kong Dollar (“HKD”).

The Group have not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant. However, the exposure to foreign currency risk is monitored from time to time by management.

B5. Taxation

	Current quarter ended		Financial period-to-date	
	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Tax expense recognised in profit or loss:				
- Current tax provision	-	-	202	186
Deferred tax:				
- Origination and reversal of temporary differences	150	334	150	334
	<u>150</u>	<u>334</u>	<u>352</u>	<u>520</u>
Effective tax rate (%)	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

B5. Taxation (cont'd)

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.

B6. Status of corporate proposals and utilisation of proceeds

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

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

No.	Purpose	Proposed Usage RM'000	Actual Utilisation RM'000	Balance as at 30 Sep 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)	1,200	Within 24 months
(d)	Expenses for the private placement	104	(104)	-	Within 1 month
Total		9,903	(7,653)	2,200	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

B7. Trade receivables

	Unaudited 30 Sep 2022 RM'000
Trade receivables	27,099
Less: Accumulated impairment losses	(7,596)
	<u>19,503</u>

The Group's normal trade credit terms ranged from 30 to 180 days. Other credit terms are assessed and approved on a case-to-case basis. Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

B8. Borrowings

The Group's borrowings as at 30 September 2022 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured			
Bankers' acceptance	1,457	-	1,457
Revolving credit	1,000	-	1,000
Term loans	1,581	3,292	4,873
Total bank borrowings	<u>4,038</u>	<u>3,292</u>	<u>7,330</u>

	Unaudited 30 Sep 2022 RM'000	Audited 31 Dec 2021 RM'000
Total bank borrowings	7,330	9,343
Less: Deposit, bank and cash balances	(54,639)	(35,938)
	<u>(47,309)</u>	<u>(26,595)</u>
Total equity	196,952	186,674
Gearing ratio (times)	*	*

Weighted average interest rate of term loans, bankers' acceptance and revolving credit are 3.52% p.a., 3.69% 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 30 September 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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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”) 30 September 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 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Net (loss) / profit attributable to owners of the parent	(6,892)	1,573	(18,532)	4,561
Weighted average number of ordinary shares in issue ('000)	1,378,072	1,184,959	1,229,421	1,141,268
Basic earnings per share (sen)	<u>(0.500)</u>	<u>0.133</u>	<u>(1.507)</u>	<u>0.400</u>

The diluted earnings per share is calculated as follows:

	Current quarter ended		Financial period-to-date	
	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Net (loss) / profit attributable to owners of the parent	(6,892)	1,573	(18,532)	4,561
Weighted average number of ordinary shares in issue ('000)	1,518,481	1,325,368	1,369,830	1,281,677
Diluted earnings per share (sen)	<u>(0.454)</u>	<u>0.119</u>	<u>(1.353)</u>	<u>0.356</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000	Unaudited 30 Sep 2022 RM'000	Unaudited 30 Sep 2021 RM'000
Bad debts written off	-	-	-	797
Depreciation and amortisation expenses	2,989	3,543	8,910	10,711
(Gain) / Loss on disposal of property, plant and equipment	(5)	-	3	10
Loss / (Gain) on foreign exchange				
- Realised	-	(64)	6	(189)
- Unrealised	116	(23)	149	(653)
Gain on modification of lease contract	-	-	(84)	-
Fair value loss / (gain)				
- Biological assets	-	-	502	-
- Plantation expenditure	(126)	-	(279)	-
Fair value on share-based payment	-	-	493	-
Interest expenses	96	215	293	482
Interest income	(221)	(137)	(383)	(294)
Inventories written off	-	-	789	-
Impairment losses on trade receivable	608	243	894	262
Reversal of slow-moving inventories	-	-	-	(617)
Rental income	(7)	(5)	(19)	(18)
Reversal of impairment losses on trade receivables	-	(980)	-	(3,223)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 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 24 November 2022.

By Order of the Board,

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

Company Secretaries

Kuala Lumpur

Dated: 24 November 2022