

Farm Fresh Berhad

Registration Number: 201001010221 (894851-U)
(Incorporated in Malaysia)

Interim Financial Report
First quarter ended 30 June 2022

Farm Fresh Berhad

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Condensed consolidated statement of financial position as at 30 June 2022

	Unaudited 30.6.2022 RM	Audited 31.3.2022 RM
Assets		
Property, plant and equipment	341,874,878	339,570,028
Right-of-use assets	14,051,287	14,820,525
Biological assets	96,869,158	95,709,674
Intangible assets	19,436,069	20,001,224
Trade and other receivables	656,731	740,429
Deferred tax assets	9,976,379	9,469,156
Total non-current assets	<u>482,864,502</u>	<u>480,311,036</u>
Inventories	136,136,120	118,844,819
Trade and other receivables	122,875,410	100,248,170
Current tax assets	1,005,651	393,813
Derivative financial assets	930,237	1,518,875
Other investments	257,375,820	280,594,613
Cash and cash equivalents	21,238,668	28,103,066
Total current assets	<u>539,561,906</u>	<u>529,703,356</u>
Total assets	<u>1,022,426,408</u>	<u>1,010,014,392</u>
Equity		
Share capital	380,607,443	380,607,443
Reserves	237,355,977	225,335,994
Equity attributable to owners of the Company	<u>617,963,420</u>	<u>605,943,437</u>
Non-controlling interests	<u>4,912,570</u>	<u>5,019,430</u>
Total equity	<u>622,875,990</u>	<u>610,962,867</u>
Liabilities		
Deferred income	6,429,056	6,496,730
Loans and borrowings	245,140,037	232,316,928
Lease liabilities	5,670,365	5,919,368
Deferred tax liabilities	7,323,483	7,711,483
Total non-current liabilities	<u>264,562,941</u>	<u>252,444,509</u>
Deferred income	270,697	270,697
Loans and borrowings	53,439,043	52,300,841
Trade and other payables	79,826,800	93,075,548
Lease liabilities	682,021	959,930
Derivative financial liabilities	768,916	--
Total current liabilities	<u>134,987,477</u>	<u>146,607,016</u>
Total liabilities	<u>399,550,418</u>	<u>399,051,525</u>
Total equity and liabilities	<u>1,022,426,408</u>	<u>1,010,014,392</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.33</u>	<u>0.37</u>

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Condensed consolidated statement of profit or loss and other comprehensive income for the first quarter ended 30 June 2022

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2022 RM	Unaudited 30.6.2021 RM
Revenue	144,021,819	134,783,406
Cost of sales	(106,314,493)	(99,473,943)
Gross profit	37,707,326	35,309,463
Other income	2,996,848	456,865
Selling and distribution expenses	(12,381,810)	(9,411,291)
Administrative expenses	(7,988,147)	(6,799,880)
Other expenses	(3,801,940)	(153,146)
Results from operating activities	16,532,277	19,402,011
Finance income	210,302	80,229
Finance costs	(2,559,635)	(3,302,434)
Net finance costs	(2,349,333)	(3,222,205)
Profit before tax	14,182,944	16,179,806
Tax credit	1,129,680	2,880,580
Profit for the period	15,312,624	19,060,386
Other comprehensive income/(expense), net of tax Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences/ Other comprehensive income/(expense) for the period	(5,574,945)	(2,588,591)
Total comprehensive income for the period	9,737,679	16,471,795
Profit/(Loss) attributable to:		
Owners of the Company	15,236,437	19,208,842
Non-controlling interests	76,187	(148,456)
Profit for the period	15,312,624	19,060,386
Total comprehensive income/(expense) attributable to:		
Owners of the Company	9,844,539	16,620,251
Non-controlling interests	(106,860)	(148,456)
Total comprehensive income for the period	9,737,679	16,471,795
Basic earnings per ordinary share (sen)	0.82	1.17
Diluted earnings per ordinary share (sen)	0.82	1.17

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Condensed consolidated statement of changes in equity for the first quarter ended 30 June 2022

Unaudited	← Attributable to owners of the Company →				Total RM	Non- controlling interests RM	Total equity RM
	Share capital RM	Non-distributable Translation reserve RM	Share option reserve RM	Distributable Retained earnings RM			
At 1 April 2021	87,779,796	4,024,142	--	142,839,375	234,643,313	6,386,645	241,029,958
Foreign currency translation differences for foreign operations/ Total other comprehensive income for the period	--	(2,517,288))	--	--	(2,517,288)	(71,303)	(2,588,591)
Profit/(Loss) for the period	--	--	--	19,208,842	19,208,842	(148,456)	19,060,386
Total comprehensive income/(expense) for the period	--	(2,517,288)	--	19,208,842	16,691,554	(219,759)	16,471,795
At 30 June 2021	<u>87,779,796</u>	<u>1,506,854</u>	<u>--</u>	<u>162,048,217</u>	<u>251,334,867</u>	<u>6,166,886</u>	<u>257,501,753</u>
At 1 April 2022	380,607,443	2,609,727	--	222,726,267	605,943,437	5,019,430	610,962,867
Foreign currency translation differences for foreign operations/ Total other comprehensive expense for the period	--	(5,391,898)	--	--	(5,391,898)	(183,047)	(5,574,945)
Profit for the period	--	--	--	15,236,437	15,236,437	76,187	15,312,624
Total comprehensive income/(expense) for the period	--	(5,391,898)	--	15,236,437	9,844,539	(106,860)	9,737,679
<i>Contributions by and distributions to owners of the Company</i>							
Share-based payment/ Total transactions with owners of the Company	--	--	2,175,444	--	2,175,444	--	2,175,444
At 30 June 2022	<u>380,607,443</u>	<u>(2,782,171)</u>	<u>2,175,444</u>	<u>237,962,704</u>	<u>617,963,420</u>	<u>4,912,570</u>	<u>622,875,990</u>

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Condensed consolidated statement of cash flows for the first quarter ended 30 June 2022

	3 months ended	
	Unaudited 30.6.2022 RM	Unaudited 30.6.2021 RM
Cash flows from operating activities		
Profit before tax	14,182,944	16,179,806
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	7,297,298	6,395,653
- Right-of-use assets	395,249	376,590
- Intangible assets	59,798	59,765
Finance income	(210,302)	(80,229)
Finance costs	2,559,635	3,302,434
Equity settled share based payment	2,175,444	--
Impairment loss/(Reversal of impairment loss) on trade receivables	73,110	(89,707)
Write down of obsolete and slow-moving inventories	17,049	--
Gain on disposal of property, plant and equipment	(184,564)	(287)
Amortisation of deferred income	(67,674)	(67,674)
(Gain)/ Loss arising from changes in fair value of:		
- Dairy cows and goats	(226,142)	287,243
- Derivative financial instruments	1,357,554	--
- Other investments	(212,403)	--
Dividend income from other investments	(1,068,804)	--
Unrealised gain on foreign exchange	(215,743)	(3,726)
Gain from a bargain purchase	(133,570)	--
Operating profit before changes in working capital	25,798,879	26,359,868
Change in inventories	(17,160,470)	4,911,970
Change in trade and other receivables	(19,491,833)	1,156,181
Change in trade and other payables	(16,046,991)	(14,017,866)
Cash generated from operations	(26,900,415)	18,410,153
Interest received	210,302	80,229
Tax paid	(738,838)	(21,867)
Net cash (used in) / from operating activities	(27,428,951)	18,468,515
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(16,164,813)	(13,596,553)
- Biological assets	(4,845,308)	(4,883,954)
- Intangible assets	(100,355)	(82,140)
- Subsidiary, net of cash and cash equivalents acquired	17,071	--
Proceeds from disposal of:		
- Property, plant and equipment	7,212,807	42,122
- Biological assets	3,053,677	2,812,963
Net withdrawal from other investments	24,500,000	--
Net cash from / (used in) investing activities	13,673,079	(15,707,562)

Condensed consolidated statement of cash flows for the first quarter ended 30 June 2022
(continued)

	3 months ended	
	Unaudited 30.6.2022 RM	Unaudited 30.6.2021 RM
Cash flows from financing activities		
Interest paid	(4,340,341)	(2,380,647)
Drawdown of term loan	10,965,850	--
Drawdown of sukuk	--	200,000,000
Repayment of term loans	(407,641)	(42,965,638)
Net (payment)/ proceeds from:		
- Bankers' acceptances	4,482,149	(6,525,562)
- Revolving credits	--	(4,074,000)
- Short-term financing	(489,205)	(554,424)
Repayment of hire purchase liabilities	(1,709,218)	(27,412,847)
Repayment of lease liabilities	(595,201)	(360,771)
Repayment of loan from a shareholder	--	(34,012,603)
Net cash from financing activities	<u>7,906,393</u>	<u>81,713,508</u>
Exchange difference on translation of the financial statements of foreign operation	(1,014,919)	(498,381)
Net (decrease)/increase in cash and cash equivalents	(6,864,398)	83,976,080
Cash and cash equivalents at 1 April	<u>28,103,066</u>	<u>(2,548,699)</u>
Cash and cash equivalents at 30 June	<u><u>21,238,668</u></u>	<u><u>81,427,381</u></u>

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following amounts from the condensed consolidated statement of financial position:

	3 months ended	
	Unaudited 30.6.2022 RM	Unaudited 30.6.2021 RM
Cash and cash equivalents:		
- cash and bank balances	21,188,542	81,377,381
- deposits with licensed banks	50,126	50,000
	<u><u>21,238,668</u></u>	<u><u>81,427,381</u></u>

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Part A: Explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134 and International Accounting Standards (“IAS”) 34 Interim Financial Reporting

A1. Basis of preparation

This condensed consolidated interim financial report is unaudited and has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), Malaysia Financial Reporting Standards (MFRS) 134: *Interim Financial Reporting* and International Accounting Standards (IAS) 34: *Interim Financial Reporting*.

This condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2022 and the accompanying notes attached to the interim financial report.

A2. Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2022.

The following MFRS, interpretations and amendments have become effective for annual periods beginning on or after 1 January 2022, but have not had an effect on the application of the Group’s accounting policies during the reporting period:

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

The following MFRS, interpretations and amendments will become effective for annual periods beginning on or after 1 January 2023:

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The following MFRS, interpretations and amendments will become effective for annual periods beginning on or after a date yet to be determined:

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

The Group plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group upon its first adoption.

A3. Auditors' report

The audited consolidated financial statements for the financial year ended 31 March 2022 was not subject to any qualifications.

A4. Seasonal or cyclical factors

The nature of the Group's business was not subject to any significant seasonal or cyclical factors.

A5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group for the current quarter and financial period under review.

A6. Changes in estimates

There were no material changes in estimates for the current quarter and financial period under review.

A7. Debt and equity securities

There were no debt and equity securities issued during the current quarter and financial period under review.

A8. Dividends paid

On 28 July 2022, the Board of Directors declared a final single-tier dividend of 1.07 sen per ordinary share totaling RM 19.97 million for the financial year ended 31 March 2022. It which will be paid on 15 September 2022 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 2 September 2022. The dividend will be accounted for in equity as an appropriation of retained earnings in Quarter 2 2023.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM21.19 million during the current quarter and financial period under review.

There were no material disposals of property, plant and equipment during the current quarter and financial period under review.

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A10. Impairment losses

Save as disclosed in Note B14, there were no other significant impairment losses or reversal of impairment losses arising from property, plant and equipment, financial assets, assets arising from contracts with customers or other assets during the current quarter and financial period under review.

A11. Segment information

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Managing Director and Group Chief Executive Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Malaysia's operation Includes production and marketing and sale of cow's and goat's milk, yogurt, plant-based soya, oat and other related products and agrotourism.
- Australia's operation Includes rearing of dairy cows, production and marketing and sale of cow's milk, jam and sauces.

Performance is measured based on segment profit before tax, finance income, finance costs, depreciation and amortisation, as included in the internal management reports that are reviewed by CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segmental information is presented in respect of the Group's business segments as follows:

Individual/Cumulative quarter (3 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2022 to 30.6.2022			
Segment profit/(loss) before tax	<u>15,602</u>	<u>(1,419)</u>	<u>14,183</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	131,335	12,687	144,022
Inter segment revenue	17,828	41,772	59,600
Depreciation and amortisation	(5,844)	(1,908)	(7,752)
Finance costs	(2,198)	(362)	(2,560)
Finance income	<u>52</u>	<u>158</u>	<u>210</u>
Unaudited			
1.4.2021 to 30.6.2021			
Segment profit/(loss) before tax	<u>20,333</u>	<u>(4,153)</u>	<u>16,180</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	119,631	15,152	134,783
Inter segment revenue	12,625	32,978	45,603
Depreciation and amortisation	(5,057)	(1,775)	(6,832)
Finance costs	(2,165)	(1,137)	(3,302)
Finance income	<u>80</u>	<u>--</u>	<u>80</u>

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A12. Material events subsequent to the statement of financial position date

On 16 August 2022, the Company incorporated a wholly-owned subsidiary, Farm Fresh Jomcha Sdn Bhd.

A13. Changes in the composition of the Group

On 24 May 2022, the Company exercised the call option in respect of the entire issued and paid up share capital of The Provenance Creamery Pte Ltd ("Provenance Creamery") granted by Loh Ngat Mui at a consideration of SGD1.00. Following the exercise of the call option, Provenance Creamery becomes our wholly owned subsidiary.

The acquisition above did not have any material impact to the Group during the financial quarter under review.

A14. Fair value information

The following table analyses financial instruments carried at fair value by valuation method. The different levels in a fair value hierarchy based on the input used in the valuation technique have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
30.6.2022				
Financial assets				
Forward exchange contracts	67	--	67	67
Interest rate swap	864	--	864	864
Other investments	257,376	--	257,376	257,376
	<u>258,307</u>	<u>--</u>	<u>258,307</u>	<u>258,307</u>
Financial liabilities				
Forward exchange contracts	(769)	--	(769)	(769)
Hire purchase liabilities	--	(21,950)	(21,950)	(23,170)
Term loans	--	(28,665)	(28,665)	(28,389)
Sukuk	--	(200,632)	(200,632)	(200,632)
	<u>(769)</u>	<u>(251,247)</u>	<u>(252,016)</u>	<u>(252,960)</u>
31.3.2022				
Financial assets				
Forward exchange contracts	783	--	783	783
Interest rate swap	736	--	736	736
Other investments	280,595	--	280,595	280,595
	<u>282,114</u>	<u>--</u>	<u>282,114</u>	<u>282,114</u>
Financial liabilities				
Hire purchase liabilities	--	(19,217)	(19,217)	(20,545)
Term loans	--	(18,913)	(18,913)	(18,726)
Sukuk	--	(202,487)	(202,487)	(202,487)
	<u>--</u>	<u>(240,617)</u>	<u>(240,617)</u>	<u>(241,758)</u>

Part A: Explanatory notes pursuant to MFRS 134 and IAS 34 Interim Financial Reporting (continued)

A15. Contingent liabilities

There were no material changes in contingent liabilities arising since the last audited consolidated financial statements for the financial year ended 31 March 2022.

A16. Capital commitments

	Unaudited 30.6.2022 RM	Audited 31.3.2022 RM
Contracted but not provided for:		
Plant and equipment	6,436,415	2,955,647
Intangible assets	285,023	267,522
	<u>6,721,438</u>	<u>3,223,169</u>

A17. Significant related party transactions

The significant related party transactions of the Group are shown below.

	Unaudited 30.6.2022 RM	Cumulative quarter 3 months ended Unaudited 30.6.2021 RM
A. Key management personnel		
<i>Directors</i>		
Remuneration	<u>551,294</u>	<u>397,671</u>
<i>Other key management personnel</i>		
Remuneration	<u>857,424</u>	<u>819,318</u>
B. Minority shareholder in a subsidiary		
Purchase of biological assets and other animal health related products	<u>923,972</u>	<u>2,135,873</u>
C. Companies connected to Directors		
Service fees	--	64,000
Rental expenses	<u>3,000</u>	<u>6,000</u>
D. Shareholder		
Interest accrual	--	551,507
Logistics services from an associate of a shareholder	50,420	23,882
Rental expenses payable to a subsidiary of a shareholder	--	35,149
Purchase of raw material from a subsidiary of a shareholder	<u>36,000</u>	<u>--</u>

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements

B1. Review of performance

Current quarter against corresponding quarter (Q1'23 vs Q1'22)

	Individual quarter 3 months ended		Changes %
	30.6.2022 RM	30.6.2021 RM	
Revenue	144,021,819	134,783,406	6.9
Gross profit	37,707,326	35,309,463	6.8
Operating profit	16,532,277	19,402,011	(14.8)
Profit before tax	14,182,944	16,179,806	(12.3)
Profit after tax	15,312,624	19,060,386	(19.7)
Profit attributable to owners of the Company	15,236,437	19,208,842	(20.7)
Reconciliation of PATAMI to Normalised PATAMI:	15,236,437	19,208,842	
Add/(Less) :			
Gross losses from Henry Jones Foods Pty Ltd	171,513	1,949,548	
Redundancy costs - IXL fruit jam business	--	5,683	
IPO expenses	--	399,408	
Sukuk expenses	--	161,900	
Share option scheme expenses (ESOS)	2,060,501	--	
Fair value loss on forward foreign exchange contracts	1,496,821	--	
Normalised PATAMI – Note 1	18,965,272	21,725,381	(12.7)

Note 1 – Normalised PATAMI has been calculated as profit for the financial period attributable to owners of the Company plus; (i) gross losses from the Australian subsidiary, Henry Jones Food Pty Ltd (“HJF”); (ii) redundancy costs as part of a rationalization plan to downsize HJF IXL fruit jam operations; (iii) corporate exercise expenses in relation to our IPO exercise; (iv) professional fees in connection with the establishment of the Sukuk Wakalah Programme; (v) provision of employees’ share option scheme (ESOS) expenses; (vi) fair value loss arising from forward foreign exchange contracts.

The Group’s revenue increased by 6.9% to RM144.0 million as compared to the corresponding period in financial year 2022. This increase was mainly attributable to the increase in Malaysia operation’s revenue by 9.8% or RM11.7 million due to higher sales of our RTD milk products and launching of new products. The increase in Malaysia operation’s revenue has been partly offset by a reduction of Australian revenue by 16.4% or RM2.5 million due to the ceasing of external raw milk sales by our Australian farm as well as the downsizing of IXL fruit jam business by our Australian subsidiary, Henry Jones Foods Pty Ltd’s (“HJF”), following the rationalization exercise which was completed in the Q3’22.

The Group’s gross profit increased by 6.8% or RM2.2 million to RM37.7 million, in line with the increase in Group’s revenue. The gross profit margin has remained constant at 26.2% in comparison to the corresponding period in financial year 2022.

Despite the increase in sales and gross profit, the Group’s operating profit and profit before tax declined by 14.8% and 12.3% respectively, mainly due to the Employees’ Share Option Scheme (“ESOS”) expenses of RM2.1 million which was first recognized during the current quarter upon the grant of share options to employees of the Group.

The Group’s profit after tax declined by 19.7% mainly due to the aforementioned reasons, in addition to the recognition of higher deferred tax income in the corresponding period, in line with the higher business losses incurred by Australian operation in the corresponding period.

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Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B2. Comparison with immediate preceding quarter (Q1'23 vs Q4'22)

	Current quarter 30.6.2022 RM	Preceding quarter 31.3.2022 RM	Changes %
Revenue	144,021,819	128,067,675	12.5
Gross profit	37,707,326	36,669,684	2.8
Operating profit	16,532,277	17,929,699	(7.8)
Profit before tax	14,182,944	16,105,918	(11.9)
Profit after tax	15,312,624	17,313,861	(11.6)
Profit attributable to owners of the Company	<u>15,236,437</u>	<u>17,683,967</u>	<u>(13.8)</u>

The Group's revenue increased by 12.5% or RM 16.0 million, to RM144.0 million as compared to the preceding quarter, mainly attributable to the increase in Malaysian revenue by 8.8% or RM10.6 million driven by encouraging sales momentum amidst recovery of economic activities accompanied with launching of new products. Australian revenue also increased by 71.9% or RM5.3 million due to higher recruitment of new customers.

The Group's gross profit increased by 2.8% or RM1.0 million, to RM37.7 million reflecting the higher sales. Gross profit margin declined to 26.2% in the current quarter from 28.6% in the preceding quarter mainly attributable to higher input costs as the war in Ukraine has directly resulted in a major shock to commodity markets, disrupted production and supply chain leading to significantly higher commodity and food prices.

The Group's operating profit and profit before tax declined by 7.8% and 11.9% as compared to the preceding quarter, primarily due to Employees' Share Option Scheme ("ESOS") expenses of RM2.1 million which was first recognized during the current quarter upon the grant of share options to employees of the Group.

The Group's profit after tax is higher than profit before tax due to recognition of deferred tax income arising from the business losses incurred by our Australian subsidiaries during the quarter. Notwithstanding, as a result of the foregoing, the Group's profit after tax decreased by 11.6%.

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Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B3. Prospects for the Group

2022 Prospects

Despite the continuous improvement in customer confidence with easing of restrictions and a sense of normalcy returning leading to recovery of economic activities which has led to strong growth in our sales in the current quarter in comparison with the previous quarter, we are still operating in a challenging environment posed by inflationary pressures from higher input prices, and more recently the economic uncertainties caused by the Russian military invasion of Ukraine. Given the long-term nature of the headwinds faced by the Group and to counter the higher input prices, the Group has increased prices for its chilled RTD products in Malaysia effective mid-July 2022 by an average of 5% and increased prices for its chilled RTD products in Singapore by an average of 10% effective 1 August 2022. The impact of the price increase is likely to result in a recovery of our gross profit margin which has seen a drop from the preceding quarter.

Notwithstanding the cost pressures, the Group remains confident it is poised to register long term growth in its sales, market share and profitability within the fast-growing dairy segments it competes in. The various strategic plans that the Group is putting in place, including the impending launch of the growing up milk based on a fortified fresh milk formula, which will compete with both powder-based kids' milk and RTD reconstituted milk-based products, and which will enable us to further drive growth with our culture of innovation and commitment for producing healthy products for our growing children.

Full completion of our Taiping farm and processing plant this year will also further improve our upstream and mid-stream capacity and reduce logistics costs to supply chilled milk products to the northern states of Peninsular Malaysia. In combination with the additional filling and packaging line at Muadzam Shah Facility and our processing facility at UPM Farm, the Group expects to increase annual production capacity by 30 million litres in 2022. The additional capacity in Muadzam Shah Facility, in particular, will alleviate some of the capacity constraints that we have currently for portion packs within the ambient category.

The Group also intends to kickstart its regional expansion with its planned entry into Indonesia, Philippines and Hong Kong. In the shorter term, our immediate focus is on the Singapore market, as the completion of the Taiping processing plant will free up some capacity at our Larkin processing plant, enabling us to focus on our exports to Singapore which have already grown strongly over the last 3 years.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B4. Profit forecast

Not applicable as the Group did not issue any profit forecast during the financial period under review.

B5. Tax expenses/(credit)

Income tax expenses/(credit) on continuing operations comprise the following:

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2022 RM	Unaudited 30.6.2021 RM
Tax expense	127,000	428,500
Deferred tax income ⁽ⁱ⁾	<u>(1,256,680)</u>	<u>(3,309,080)</u>
	<u>(1,129,680)</u>	<u>(2,880,580)</u>

(i) Deferred tax income is primarily arising from the business losses incurred by our Australian subsidiaries

B6. Status of corporate proposals

There were no corporate proposals pending completion as at date of this report.

B7. Utilisation of proceeds from the Public Issue

We expect to use the gross proceeds from our Public Issue amounting to RM301.0 million in the following manner:

Details of use of proceeds	Estimated timeframe for the use of proceeds upon Listing	Proposed utilisation RM'000	Actual utilisation RM'000
1. Capital expenditure of our Group			
- <i>Establishment of a new manufacturing hub, a new dairy farm and integrated processing facility in Malaysia</i>	Within 24 months	140,000	365
- <i>Expansion of our production facility in Australia</i>	Within 18 months	60,000	1,637
- <i>Regional expansion outside of Malaysia</i>	Within 24 months	40,000	--
2. Working capital	Within 12 months	40,789	28,365
3. Estimated listing expenses	Within 3 months	<u>20,200</u>	<u>14,180</u>
		<u>300,989</u>	<u>44,547</u>

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B8. Loans and borrowings

	Unaudited 30.6.2022 RM	Audited 31.3.2022 RM
Non-current		
Secured		
Term loans	27,999,612	17,055,872
Hire purchase liabilities	17,140,425	15,261,056
	45,140,037	32,316,928
Unsecured		
Sukuk	200,000,000	200,000,000
	245,140,037	232,316,928
Current		
Unsecured		
Sukuk	631,890	2,486,795
Secured		
Term loans	389,372	1,670,403
Hire purchase liabilities	6,029,472	5,284,323
Bankers' acceptances	45,925,878	41,888,529
Short term financing	462,431	970,791
	52,807,153	49,814,046
	53,439,043	52,300,841
	<u>298,579,080</u>	<u>284,617,769</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM27,656,263 (31.3.2022: RM15,736,500), hire purchase liabilities of RM18,551,133 (31.1.2022: RM20,545,379), bankers' acceptances of RM12,144,400 (31.3.2022: RM12,589,200) and short term financing of RM462,431 (31.3.2022: RM970,791) are denominated in AUD.

B9. Status of non-compliance information

With reference made to the Section 7.17.1.(i) of the Company's Prospectus dated 22 March 2022, the land non-compliance in respect of our Mawai farm has been rectified.

The Company had, on 8 August 2022, obtained the approval of Pentadbir Tanah Daerah Kota Tinggi to change the express condition of PTD 2975 from "plantation of herbs and spirulina only" to "plantation of herbs and spirulina / dairy farming" under Section 124 of the National Land Code 1965.

B10. Material litigations

On 31 March 2021, the Group has filed a legal action in Australia against Shepparton Partners Collective Group for various misrepresentations to The Holstein Milk Company (Australia) Pty Ltd during the course of due diligence of a business acquisition.

As at 30 June 2022, the case is still ongoing, and in the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.

B11. Dividends

On 28 July 2022, the Board of Directors declared a final single-tier dividend of 1.07 sen per ordinary share totaling RM 19.97 million for the financial year ended 31 March 2022. It which will be paid on 15 September 2022 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 2 September 2022.

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B12. Earnings per share (“EPS”)

Basic earnings per ordinary share

The basic EPS for the current financial quarter under review is computed as follows:

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2022	Audited 30.6.2021
Net profit attributable to the owners of the Company (RM)	15,236,437	19,208,842
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,857,954,837</u>	<u>1,635,000,137</u>
Basic EPS (sen)	<u>0.82</u>	<u>1.17</u>

- (i) For individual and cumulative quarter ended 30 June 2021, based on the issued share capital of 1,635,000,137 ordinary shares after the completion of the bonus issue.
- (ii) For individual and cumulative quarter ended 30 June 2022, based on the issued share capital of 1,857,954,837 ordinary shares after the completion of initial public offering.

Diluted earnings per ordinary share

For the diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The diluted EPS for the current financial quarter under review is computed as follows:

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2022	Unaudited 30.6.2021
Net profit attributable to the owners of the Company (RM)	15,236,437	19,208,842
Weighted average number of ordinary shares in issue ^{(i) (ii)}	1,857,954,837	1,635,000,137
Effect of share option in issue ⁽ⁱⁱⁱ⁾	5,765,440	--
Total weighted average number of ordinary shares	<u>1,863,720,277</u>	<u>1,635,000,137</u>
Diluted EPS (sen)	<u>0.82</u>	<u>1.17</u>

- (iii) For individual and cumulative quarter ended 30 June 2022, adjusted for Employees' Share Option Scheme (“ESOS”).

Part B: Explanatory notes pursuant to Part A, Appendix 9B of the Listing Requirements (continued)

B13. Revenue

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2022	Unaudited 30.6.2021
	RM	RM
Revenue from contracts with customers		
- At a point in time	144,021,819	134,783,406

B14. Profit before tax

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2022	Unaudited 30.6.2021
	RM	RM
Profit for the period is arrived at after charging/(crediting)		
Depreciation and amortisation:		
- Property, plant and equipment	7,297,298	6,395,653
- Right-of-use assets	395,249	376,590
- Intangible assets	59,798	59,765
Expenses relating to short-term leases	1,065,819	1,324,337
Expenses relating to leases of low-value assets	9,481	5,792
Equity settled share-based payment	2,175,444	--
Write down of obsolete and slow-moving inventories	17,049	--
Impairment loss/(Reversal of impairment loss) on:		
- Trade receivables	73,110	(89,707)
Gain on disposal of property, plant and equipment	(184,564)	(287)
(Gain)/Loss arising from changes in fair value of:		
- Derivative financial instruments	1,357,554	--
- Other investments	(212,403)	--
Gain from a bargain purchase	(133,570)	--
Personnel expenses (including key management personnel):		
- Contribution to state plans	1,027,090	620,096
- Wages, salaries and others	13,240,997	11,689,134
Rental income from subleasing of property	(264,067)	(359,826)
Rental concession income	--	(32,100)
Redundancy costs	--	7,104
Amortisation of deferred income	(67,674)	(67,674)
Net foreign exchange gain	(706,684)	(28,584)
Loss/(Gain) arising from changes in fair value of dairy cows and goats:		
- Malaysian Farm	484,135	1,117,901
- Australian Farm	(710,277)	(830,658)