

Farm Fresh Berhad
(Formerly known as The Holstein Milk Company Sdn. Bhd.)
Registration Number: 201001010221 (894851-U)
(Incorporated in Malaysia)

Interim Financial Report
Second quarter ended 30 September 2022

Farm Fresh Berhad
(Formerly known as The Holstein Milk Company Sdn. Bhd.)

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

Condensed consolidated statement of financial position
as at 30 September 2022

	Unaudited 30.09.2022 RM	Audited 31.3.2022 RM
Assets		
Property, plant and equipment	366,774,913	339,570,028
Right-of-use assets	13,678,972	14,820,525
Biological assets	98,986,358	95,709,674
Intangible assets	19,707,063	20,001,224
Trade and other receivables	867,355	740,429
Deferred tax assets	9,067,678	9,469,156
Total non-current assets	<u>509,082,339</u>	<u>480,311,036</u>
Inventories	163,768,434	118,844,819
Derivative financial assets	880,453	1,518,875
Trade and other receivables	115,915,042	100,248,170
Current tax assets	1,175,648	393,813
Cash and cash equivalents	20,144,858	28,103,066
Other investments	253,943,745	280,594,613
Total current assets	<u>555,828,180</u>	<u>529,703,356</u>
Total assets	<u>1,064,910,519</u>	<u>1,010,014,392</u>
Equity		
Share capital	380,607,443	380,607,443
Reserves	229,718,656	225,335,994
Equity attributable to owners of the Company	610,326,099	605,943,437
Non-controlling interests	5,400,736	5,019,430
Total equity	<u>615,726,835</u>	<u>610,962,867</u>
Liabilities		
Loans and borrowings	244,024,977	232,316,928
Lease liabilities	5,666,096	5,919,368
Deferred income	6,361,381	6,496,730
Deferred tax liabilities	7,914,483	7,711,483
Total non-current liabilities	<u>263,966,937</u>	<u>252,444,509</u>
Loans and borrowings	92,978,505	52,300,841
Derivative financial liabilities	1,045,339	--
Trade and other payables	90,361,813	93,075,548
Lease liabilities	560,393	959,930
Deferred income	270,697	270,697
Total current liabilities	<u>185,216,747</u>	<u>146,607,016</u>
Total liabilities	<u>449,183,684</u>	<u>399,051,525</u>
Total equity and liabilities	<u>1,064,910,519</u>	<u>1,010,014,392</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.33</u>	<u>0.33</u>

Farm Fresh Berhad

(Formerly known as The Holstein Milk Company Sdn. Bhd.)

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

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022 RM	Unaudited 30.9.2021 RM	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Revenue	162,139,661	122,403,117	306,161,480	257,186,523
Cost of sales	(122,447,196)	(92,256,949)	(228,761,689)	(191,730,892)
Gross profit	39,692,465	30,146,168	77,399,791	65,455,631
Other income	1,981,608	11,417,553	4,978,456	11,664,824
Selling and distribution expenses	(14,329,387)	(5,318,590)	(26,711,197)	(14,729,881)
Administrative expenses	(8,699,497)	(8,918,792)	(16,687,644)	(15,718,672)
Other expenses	(2,615,087)	(6,057,219)	(6,417,027)	(6,210,365)
Results from operating activities	16,030,102	21,269,120	32,562,379	40,461,537
Finance income	93,882	105,268	304,184	395,091
Finance costs	(2,997,890)	(2,347,673)	(5,557,525)	(5,650,107)
Net finance costs	(2,904,008)	(2,242,405)	(5,253,341)	(5,255,016)
Profit before tax	13,126,094	19,026,715	27,309,038	35,206,521
Tax (expense)/credit				
- Current tax and deferred tax	(1,754,360)	908,153	(624,680)	3,788,733
- Reversal of over-provision for tax	--	10,490,033	--	10,490,033
Total tax (expense)/credit	(1,754,360)	11,398,186	(624,680)	14,278,766
Profit for the period	11,371,734	30,424,901	26,684,358	49,485,287
Other comprehensive income/ (expense), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation difference:				
Other comprehensive income/ (expense) for the year	(1,169,876)	(5,084,582)	(6,744,821)	(7,673,173)
Total comprehensive income for the period	10,201,858	25,340,319	19,939,537	41,812,114
Profit/(Loss) attributable to:				
Owners of the Company	11,185,599	31,533,818	26,422,036	50,742,660
Non-controlling interests	186,135	(1,108,917)	262,322	(1,257,373)
Profit for the period	11,371,734	30,424,901	26,684,358	49,485,287
Total comprehensive income/ (expense) attributable to:				
Owners of the Company	10,064,819	26,678,346	19,909,358	43,298,597
Non-controlling interests	137,039	(1,338,027)	30,179	(1,486,483)
Total comprehensive income for the period	10,201,858	25,340,319	19,939,537	41,812,114
Basic earnings per ordinary share (sen)	0.60	1.93	1.42	3.10
Diluted earnings per ordinary share (sen)	0.60	1.93	1.42	3.10

Farm Fresh Berhad
(Formerly known as The Holstein Milk Company Sdn. Bhd.)

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

Condensed consolidated statement of changes in equity
for the second quarter ended 30 September 2022

	← 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			
Audited							
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	--	(7,444,063)	--	--	(7,444,063)	(229,110)	(7,673,173)
Profit/(Loss) for the period	--	--	--	50,742,660	50,742,660	(1,257,373)	49,485,287
Total comprehensive income/(expense) for the period	--	(7,444,063)	--	50,742,660	43,298,597	(1,486,483)	41,812,114
At 30 September 2021	87,779,796	(3,419,921)	--	193,582,035	277,941,910	4,900,162	282,842,072
Unaudited							
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	--	(6,512,678)	--	--	(6,512,678)	(232,143)	(6,744,821)
Profit for the period	--	--	--	26,422,036	26,422,036	262,322	26,684,358
Total comprehensive income/(expense) for the period	--	(6,512,678)	--	26,422,036	19,909,358	30,179	19,939,537
<i>Contributions by and distributions to owners of the Company</i>							
Acquisition of a subsidiary	--	--	--	--	--	351,127	351,127
Dividend to owners of the Company	--	--	--	(19,880,116)	(19,880,116)	--	(19,880,116)
Share-based payment	--	--	4,353,420	--	4,353,420	--	4,353,420
Total transactions with owners of the Company	--	--	4,353,420	(19,880,116)	(15,526,696)	351,127	(15,175,569)
At 30 September 2022	380,607,443	(3,902,951)	4,353,420	229,268,187	610,326,099	5,400,736	615,726,835

Farm Fresh Berhad
(Formerly known as The Holstein Milk Company Sdn. Bhd.)

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

Condensed consolidated statement of cash flows for the second quarter ended 30 September 2022

	6 months ended	
	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Cash flows from operating activities		
Profit before tax	27,309,038	35,206,521
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	15,089,434	13,043,050
- Right-of-use assets	768,222	774,396
- Intangible assets	118,896	118,327
Finance income	(304,184)	(395,091)
Finance costs	5,557,525	5,650,107
Equity settled share based payment	4,353,420	--
Impairment loss/(Reversal of impairment loss) on:		
- Property, plant and equipment	1,594	80,129
- Trade receivables	140,543	(72,282)
(Reversal)/Write down of obsolete and slow-moving inventories	(89,754)	721,657
Gain on disposal of property, plant and equipment	(306,800)	(3,170)
Gain from a bargain purchase	(133,570)	--
Amortisation of deferred income	(135,349)	(135,349)
(Gain)/Loss arising from changes in fair value of:		
- dairy cows and goats	(450,382)	(10,223,890)
- derivatives financial instruments	1,683,761	--
- other investments	(729,933)	--
Dividend income from other investments	(2,119,199)	--
Provision for redundancy costs	--	4,929,876
Unrealised loss on foreign exchange	430,154	--
Operating profit before changes in working capital	51,183,416	49,694,281
Change in inventories	(43,735,679)	8,740,482
Change in trade and other receivables	(13,423,182)	925,051
Change in trade and other payables	(5,987,710)	(7,996,290)
Cash generated from operations	(11,963,155)	51,363,524
Interest received	304,184	395,091
Tax paid	(1,188,835)	(37,417)
Net cash (used in)/from operating activities	(12,847,806)	51,721,198
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(45,980,732)	(29,640,617)
- Right-of-use assets	--	(110,164)
- Biological assets	(8,441,011)	(8,491,792)
- Intangible assets	(295,344)	(166,028)
- Subsidiary, net of cash and cash equivalents acquired	(3,238,422)	--
Withdrawal from other investments	29,500,000	--
Proceeds from disposal of:		
- Property, plant and equipment	7,631,919	457,212
- Biological assets	4,434,053	4,851,898
Net cash used in investing activities	(16,389,537)	(33,099,491)

Condensed consolidated statement of cash flows for the second quarter ended 30 September 2022
(continued)

	6 months ended	
	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Cash flows from financing activities		
Interest paid	(5,392,943)	(3,063,613)
Dividend paid	(19,880,116)	--
Drawdown of term loan	10,874,150	--
Drawdown of sukuk	--	200,000,000
Repayment of term loans	(502,454)	(43,052,474)
Net (payment)/ proceeds from:		
- Bankers' acceptances	27,598,684	(33,997,757)
- Revolving credits	14,760,000	(4,074,000)
- Short-term financing	(913,018)	(907,721)
Repayment of hire purchase liabilities	(3,516,887)	(34,624,270)
Capital contributed by a minority shareholder	351,127	--
Repayment of lease liabilities	(791,775)	(352,048)
Repayment of loan from a shareholder	--	(34,012,603)
Net cash from financing activities	<u>22,586,768</u>	<u>45,915,514</u>
Exchange difference on translation of the financial statements of foreign operation	(1,307,633)	(2,360,075)
Net increase/(decrease) in cash and cash equivalents	(7,958,208)	62,177,146
Cash and cash equivalents at 1 April	<u>28,103,066</u>	<u>(2,548,699)</u>
Cash and cash equivalents at 30 September	<u><u>20,144,858</u></u>	<u><u>59,628,447</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:

	6 months ended	
	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Cash and cash equivalents:		
- cash and bank balances	20,094,732	59,628,447
- deposits with licensed banks	50,126	--
	<u><u>20,144,858</u></u>	<u><u>59,628,447</u></u>

Farm Fresh Berhad
(Formerly known as The Holstein Milk Company Sdn. Bhd.)

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

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 1 January 2024:

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*

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

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*

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 financial period under review.

A6. Changes in estimates

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

A7. Debt and equity securities

There were no debt and equity securities issued during the 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 RM19.88 million for the financial year ended 31 March 2022. It was 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 was accounted for in equity as an appropriation of retained earnings in current quarter under review.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM51.01 million during the financial period under review.

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

A10. Impairment losses

Save as disclosed in Note B13, 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 financial period under review.

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

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

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.

Segment profit/(loss) before tax at each reportable segment is arrived after eliminating all inter-segment profits originating from that reporting segment. Segmental information is presented in respect of the Group's business segments as follows:

Individual quarter (3 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.7.2022 to 30.9.2022			
Segment profit/(loss) before tax	<u>13,409</u>	<u>(283)</u>	<u>13,126</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	135,384	26,756	162,140
Inter-segment revenue	22,586	42,059	64,645
Depreciation and amortisation	(6,270)	(1,955)	(8,225)
Finance costs	(2,479)	(519)	(2,998)
Finance income	<u>73</u>	<u>21</u>	<u>94</u>
1.7.2021 to 30.9.2021			
Segment profit/(loss)	<u>27,870</u>	<u>(8,843)</u>	<u>19,027</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	108,019	14,385	122,404
Inter-segment revenue	13,822	29,289	43,111
Depreciation and amortisation	(5,354)	(1,750)	(7,104)
Impairment loss on property, plant and equipment	--	(80)	(80)
Redundancy costs	--	(4,923)	(4,923)
Finance costs	(2,199)	(149)	(2,348)
Finance income	<u>45</u>	<u>60</u>	<u>105</u>

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

A11. Segment information (continued)

Cumulative quarter (6 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2022 to 30.9.2022			
Segment profit/(loss)	<u>29,011</u>	<u>(1,702)</u>	<u>27,309</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	266,719	39,442	306,161
Inter-segment revenue	40,414	83,831	124,245
Depreciation and amortisation	(12,114)	(3,863)	(15,977)
Finance costs	(4,677)	(881)	(5,558)
Finance income	<u>125</u>	<u>179</u>	<u>304</u>
Audited			
1.4.2021 to 30.9.2021	48,203	(12,996)	35,207
Segment profit/(loss)	<u>48,203</u>	<u>(12,996)</u>	<u>35,207</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	227,650	29,537	257,187
Inter-segment revenue	26,447	62,267	88,714
Depreciation and amortisation	(10,411)	(3,525)	(13,936)
Impairment loss on property, plant and equipment	--	(80)	(80)
Redundancy costs	--	(4,930)	(4,930)
Finance costs	(4,364)	(1,286)	(5,650)
Finance income	<u>335</u>	<u>60</u>	<u>395</u>

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

There were no material events subsequent to the end of current quarter that have not been reflected in the financial statements.

A13. Changes in the composition of the Group

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

On 31 August 2022, Goulburn Valley Creamery Pty Ltd, a subsidiary of Farm Fresh Berhad, had entered into a business purchase agreement with Maggie Beer Holdings Ltd to acquire 90% equity interest in St David Dairy Pty Ltd at a total purchase consideration of RM3.2 million. The transaction was completed on 31 August 2022.

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

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

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
30.9.2022				
Financial assets				
Interest rate swap	880	--	880	880
Other investments	253,944	--	253,944	253,944
	<u>254,824</u>	<u>--</u>	<u>254,824</u>	<u>254,824</u>
Financial liabilities				
Forward exchange contracts	(1,045)	--	(1,045)	(1,045)
Hire purchase liabilities	--	(21,469)	(21,469)	(22,574)
Term loans	--	(28,428)	(28,428)	(28,145)
Sukuk	--	(202,507)	(202,507)	(202,507)
	<u>(1,045)</u>	<u>(252,404)</u>	<u>(253,449)</u>	<u>(254,271)</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>

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.

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

A16. Capital commitments

	Unaudited 30.9.2022 RM	Audited 31.3.2022 RM
Contracted but not provided for:		
Plant and equipment	14,609,127	2,955,647
Intangible assets	124,263	267,522
	<u>14,733,390</u>	<u>3,223,169</u>

A17. Significant related party transactions

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022 RM	Unaudited 30.9.2021 RM	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
A. Key management personnel				
<i>Directors</i>				
Remuneration	<u>287,320</u>	<u>420,724</u>	<u>838,614</u>	<u>818,395</u>
<i>Other key management personnel</i>				
Remuneration	<u>845,752</u>	<u>588,264</u>	<u>1,703,176</u>	<u>1,407,582</u>
B. Minority shareholder in a subsidiary				
Purchase of biological assets and other animal health related products	<u>--</u>	<u>1,205,028</u>	<u>923,972</u>	<u>3,340,901</u>
C. Person connected to Directors				
Purchase of motor vehicles	<u>--</u>	<u>15,000</u>	<u>--</u>	<u>15,000</u>
D. Companies connected to Directors				
Rental expenses	<u>3,000</u>	<u>3,000</u>	<u>6,000</u>	<u>9,000</u>
E. Shareholder				
Interest accrual	--	--	--	551,507
Logistics services from an associate of a shareholder	58,370	66,692	108,790	90,574
Rental expenses payable to a subsidiary of a shareholder	--	--	--	35,149
Purchase of raw material from a subsidiary of a shareholder	<u>60,000</u>	<u>--</u>	<u>96,000</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 (Q2'23 vs Q2'22)

	Individual quarter 3 months ended		Changes %
	30.9.2022 RM	30.9.2021 RM	
Revenue	162,139,661	122,403,117	32.5
Gross profit	39,692,465	30,146,168	31.7
Operating profit	16,030,102	21,269,120	(24.6)
Profit before tax	13,126,094	19,026,715	(31.0)
Profit after tax	11,371,734	30,424,901	(62.6)
Profit attributable to owners of the Company	11,185,599	31,533,818	(64.5)
Reconciliation of PATAMI to Normalised PATAMI: Add/(Less) :	11,185,599	31,533,818	(64.5)
Reallocation of tax reversal ⁽ⁱ⁾	--	(10,490,033)	
Gross losses from IXL fruit jam business	--	1,701,095	
Impairment loss on property, plant and equipment	--	64,103	
Redundancy costs - IXL fruit jam business ⁽ⁱⁱ⁾	--	3,938,218	
IPO expenses	--	1,335,220	
Sukuk expenses	--	2,968	
Claw back of government grant income ⁽ⁱⁱⁱ⁾	--	363,155	
Fair value gain on valuation of biological assets	(289,762)	(10,278,301)	
Fair value loss on forward foreign exchange contracts	331,340	--	
Share option scheme expenses (ESOS)	2,079,211	--	
Deferred tax income arising from business losses by Australian subsidiaries ^(iv)	--	(2,466,271)	
Normalised PATAMI	13,306,388	15,703,972	(15.3)

(i) Please refer Note B5 for more details.

(ii) Redundancy costs as part of a rationalization plan to downsize Henry Jones Foods Pty Ltd's ("HJF") IXL fruit jam operations.

(iii) Claw back of a one-off government grant received in FYE 31 March 2021 due to us not meeting certain conditions in FPE 30 September 2021.

(iv) Deferred tax income arising from the business losses of HJF IXL fruit jam operations amounted to RM1.7 million in Q2'22 and RM2.3 million during preceding 6 month period ended 30 September 2021 respectively, while the remaining related to the business losses of other Australian subsidiaries.

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

B1. Review of performance (continued)

Current quarter against corresponding quarter (Q2'23 vs Q2'22) (continued)

The Group's revenue increased by 32.5% or RM39.7 million as compared to the corresponding period in financial year 2022, mainly attributable to the increase in Malaysian revenue by 25.3% or RM27.3 million driven by positive sales momentum accompanied with launching of new products, further boosted by the School Milk Program. The Australian revenue also increased by 86.0% or RM12.4 million underpinned by increasing external sales from Goulburn Valley Creamery Pty Ltd.

The Group's gross profit increased by 31.7% or RM9.5 million which in line with aforementioned increase in sales and reduction in gross losses from Australia's IXL fruit jam business.

Despite the increase in gross profit, operating profit and profit before tax declined by RM5.2 million and RM5.9 million respectively, mainly due to significantly lower fair value gain on valuation of biological assets of RM0.2 million in the current quarter as compared to RM10.5 million in the corresponding quarter, which is partially offset by the higher gross loss, impairment loss and redundancy costs totaling to RM7.1 million incurred from the IXL fruit jam business in the corresponding quarter. Apart from that, the Group also incurred higher selling and distribution cost, resulting from the higher overall sales and specifically distribution costs incurred for the School Milk Program which is performed by the stockists and home dealers, and higher marketing spend.

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

B1. Review of performance (continued)

Current financial period against corresponding financial period (FY'23 vs FY'22)

	Cumulative quarter 6 months ended		Changes %
	30.9.2022 RM	30.9.2021 RM	
Revenue	306,161,480	257,186,523	19.0
Gross profit	77,399,791	65,455,631	18.2
Operating profit	32,562,379	40,461,537	(19.5)
Profit before tax	27,309,038	35,206,521	(22.4)
Profit after tax	26,684,358	49,485,287	(46.1)
Profit attributable to owners of the Company ("PATAMI")	<u>26,422,036</u>	<u>50,742,660</u>	<u>(47.9)</u>
Reconciliation of PATAMI to Normalised PATAMI: Add/(Less) :	26,422,036	50,742,660	(47.9)
Reallocation of tax reversal	--	(10,490,033)	
Gross losses from IXL fruit jam business	171,513	3,650,643	
Impairment loss on property, plant and equipment	--	64,103	
Redundancy costs - IXL fruit jam business	--	3,943,901	
IPO expenses	--	1,734,628	
Sukuk expenses	--	164,868	
Claw back of government grant income	--	363,155	
Fair value gain on valuation of biological assets	(373,848)	(9,824,926)	
Fair value loss on forward foreign exchange contracts	1,828,161	--	
Share option scheme expenses (ESOS)	4,139,712	--	
Deferred tax income arising from business losses by Australian subsidiaries	--	(6,310,335)	
Normalised PATAMI	<u>32,187,574</u>	<u>34,038,664</u>	<u>(0.1)</u>

The Group registered a half yearly revenue of RM306.2 million in the current financial period, representing an increase of 19% or RM49.0 million. The increase was mainly attributable to the increase in Malaysian revenue by 17.2% or RM39.1 million due to higher sales our RTD milk products and launching of new products, coupled with higher school milk sales. Apart from that, Australian revenue also increase by 33.5% or RM9.9 million driven by higher external sales from Goulburn Valley Creamery Pty Ltd.

Despite the increase in gross profit, operating profit and profit before tax declined by RM7.9 million, mainly due to Employees' Share Option Scheme ("ESOS") expenses of RM4.1 million which was first recognized during the current period upon the grant of share options to employees of the Group. The decrease was also contributed by the unrealized derivative loss of RM1.8 million arising from currency (AUD) forward exchange contract due to lower period end closing rate as compared to the average forward contracted rate.

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

B2. Comparison with immediate preceding quarter (Q2'23 vs Q1'23)

	Current quarter 30.9.2022 RM	Preceding quarter 30.6.2022 RM	Changes %
Revenue	162,139,661	144,021,819	12.6
Gross profit	39,692,465	37,707,326	5.3
Operating profit	16,030,102	16,532,277	(3.0)
Profit before tax	13,126,094	14,182,944	(7.5)
Profit after tax	11,371,734	15,312,624	(25.7)
Profit attributable to owners of the Company	<u>11,185,599</u>	<u>15,236,437</u>	<u>(26.6)</u>

The Group's revenue increased by 12.6% or RM18.1 million as compared to the preceding quarter, mainly contributed by an increase in Australian revenue of RM14.1 million driven by higher external sales from Goulburn Valley Creamery Pty Ltd . Malaysia revenue also increased by RM4.0 million due to positive results from launching of new products accompanied with higher school milk sales.

Despite the strong increase in revenue by 12.6%, the Group's gross profit only increased by 5.3% or RM2.0 million, as the Group's revenue during the quarter had more contribution from the Australian operations (RM26.8 million in current quarter vs RM12.7 million in preceding quarter) which recorded lower margins.

The Group's operating profit decreased by 3.0% to RM16.0 million mainly due to the aforementioned decline in gross margin.

The decrease in Group's profit after tax is due to the deferred tax expense recognized in Australia in the current quarter, as opposed to the deferred tax income arising from the business losses incurred by our Australian subsidiaries during the preceding quarter.

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

B3. Prospects for the Group

Prospects

In the second half of the financial year, the Group is poised to grow its revenues with the launch of Farm Fresh Grow, the growing up milk based on a fortified fresh milk formula in October 2022, which is already available to be purchased from the home dealers and more than 2,000 outlets within the mini market and modern trade channels in Peninsular Malaysia. The November 2022 launch of Yarra by Farm Fresh, made from whole milk powder, will also enable the Group to compete and gain more market share in the ambient market with a more competitively priced product range.

The completion of our Taiping processing plant expected in December 2022 will also further improve our chilled milk production capacity and reduce logistics costs to supply chilled milk products to the northern states of Peninsular Malaysia. In addition to the new portion pack filling and packaging line at Muadzam Shah Facility operational in November 2022, the Group will have an additional UHT processing line operational by January 2023 to improve throughput and enable the Group to run all its filling and packaging lines concurrently, which was not possible before with the current 2 processing lines running. This will alleviate the capacity constraints that we have currently for portion packs within the ambient category.

The Group has also made progress in its expansion plans in the Philippines. We have secured a site located within an hour from Manila for our processing plant, which is slated to be operational in the second quarter of 2023. Additionally, 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.

Despite the growth plans, we are still operating in a challenging environment posed by inflationary pressures from higher input prices. 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 August 2022. The price increase, together with the current trend of lower whole milk powder prices is likely to result in an improvement in our gross profit margin in the second half of the financial year.

We will also continue to drive our ESG agenda in the coming year. We have recently signed a contract to develop a biogas plant in the Muadzam Shah farm, expected to be operational by end of 2023 and to contribute to an estimated reduction of 9,800 total carbon dioxide (tCO₂) per annum and an estimated displacement or reduction of diesel usage of 670,000 litres per annum. We have also pioneered fresh milk sold in reusable glass bottles beginning in September 2022 with our Milk on Tap initiative in collaboration with Jaya Grocer. We aim to continue the roll-out of the Milk on Tap across the nation, starting with another 6 more Jaya Grocer outlets by January 2023. We believe that this trailblazing move will provide impetus to the dairy industry to reduce plastics usage significantly with an eco-friendly way of buying milk.

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 expense/(credit)

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022 RM	Unaudited 30.9.2021 RM	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Tax expense	280,000	430,686	407,000	859,186
Deferred tax expense/(income)	1,474,360	(1,338,839)	217,680	(4,647,919)
Reversal of over-provision for tax ⁽ⁱ⁾	--	(10,490,033)	--	(10,490,033)
	<u>1,754,360</u>	<u>(11,398,186)</u>	<u>624,680</u>	<u>(14,278,766)</u>

- (i) A subsidiary had been granted Agricultural Tax Incentive for the rearing of goats/cows and milk processing projects. While the subsidiary filed its prior years taxes on the basis that it enjoyed full tax incentive on its operation, certain milk processing plants of the subsidiary had not been notified to the Ministry of Agriculture and Food Industries Malaysia and consequently not added as approved locations on a timely basis. In the preparation of the audited financial statements for the year ended 31 March 2021, based on the resolution with the Inland Revenue Board (“IRB”), an additional tax payable and penalty (Additional Tax Amount) of RM25,708,582 had been provided in respect of these locations for the relevant prior years of assessment (“YA”) from 2014 to 2020.

Further, the Ministry of Finance (“MOF”) had approved the application for inclusion of the additional locations in Larkin (“Larkin Facility”), starting from YA 2022 onwards. Hence, tax was also provided in respect of these locations for YA 2021 in the audited financial statements for the year ended 31 March 2021.

Upon a subsequent application to the MOF, the subsidiary had received approval that the additional locations are approved for a new Tax Incentive under Section 127 (3A) of Income Tax Act, 1967. Under the incentive, the subsidiary is allowed to claim income tax exemption on its statutory income arising from qualifying projects conducted in the additional locations for 10 (5+5) years commencing from YA 2021.

Accordingly, the tax payable amount of RM10,490,033 for YA 2021 previously recorded for in the financial year ended 31 March 2021 was reversed in the financial period ended 30 September 2022.

B6. Status of corporate proposals

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

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

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 utilization to 30.9.2022 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	1,824
- <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	29,939
3. Estimated listing expenses	Within 3 months	20,200	16,497
		<u>300,989</u>	<u>49,897</u>

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

B8. Loans and borrowings

	Unaudited 30.9.2022 RM	Audited 31.3.2022 RM
Non-current		
Secured		
Term loans	27,754,177	17,055,872
Hire purchase liabilities	16,270,800	15,261,056
	44,024,977	32,316,928
Unsecured		
Sukuk	200,000,000	200,000,000
	<u>244,024,977</u>	<u>232,316,928</u>
Current		
Unsecured		
Sukuk	2,507,178	2,486,795
Secured		
Term loans	391,244	1,670,403
Hire purchase liabilities	6,303,647	5,284,323
Bankers' acceptances	68,972,413	41,888,529
Revolving credits	14,760,000	--
Short term financing	44,023	970,791
	<u>90,471,327</u>	<u>49,814,046</u>
	<u>92,978,505</u>	<u>52,300,841</u>
	<u>337,003,482</u>	<u>284,617,769</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM25,658,100 (31.3.2022: RM15,736,500), hire purchase liabilities of RM18,468,921 (31.3.2022: RM20,545,379), bankers' acceptances of RM12,074,400 (31.3.2022: RM12,589,200) and short term financing of RM44,023 (31.3.2022: RM970,791) are denominated in AUD.

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

B9. 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 Holsten Milk Company (Australia) Pty Ltd during the course of due diligence of a business acquisition.

As at 30 September 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.

B10. Dividends

On 28 July 2022, the Board of Directors declared a final single-tier dividend of 1.07 sen per ordinary share totaling RM19.88 million for the financial year ended 31 March 2022. It was 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.

B11. Earnings per share ("EPS")

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022	Unaudited 30.9.2021	Unaudited 30.9.2022	Audited 30.9.2021
Net profit attributable to the owners of the Company (RM)	11,185,599	31,533,818	26,422,036	50,742,660
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,857,954,837</u>	<u>1,635,000,137</u>	<u>1,857,954,837</u>	<u>1,635,000,137</u>
Basic EPS (sen)	<u>0.60</u>	<u>1.93</u>	<u>1.42</u>	<u>3.10</u>

(i) For individual and cumulative quarter ended 30 September 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 September 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 quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022	Unaudited 30.9.2021	Unaudited 30.9.2022	Audited 30.9.2021
Net profit attributable to the owners of the Company (RM)	11,185,599	31,533,818	26,422,036	50,742,660
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,857,954,837</u>	<u>1,635,000,137</u>	<u>1,857,954,837</u>	<u>1,635,000,137</u>
Effect of share option in issue ⁽ⁱⁱⁱ⁾	5,675,876	--	5,675,876	--
Total weighted average number of ordinary shares	<u>1,863,630,713</u>	<u>1,635,000,137</u>	<u>1,863,630,713</u>	<u>1,635,000,137</u>
Diluted EPS (sen)	<u>0.60</u>	<u>1.93</u>	<u>1.42</u>	<u>3.10</u>

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

B11. Earnings per share (“EPS”) (continued)

Diluted earnings per ordinary share (continued)

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

B12. Revenue

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022 RM	Unaudited 30.9.2021 RM	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Revenue from contracts with customers				
- At a point in time	<u>162,139,661</u>	<u>122,403,117</u>	<u>306,161,480</u>	<u>257,186,523</u>

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2022 RM	Unaudited 30.9.2021 RM	Unaudited 30.9.2022 RM	Audited 30.9.2021 RM
Profit for the year is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- Property, plant and equipment	7,792,136	6,647,397	15,089,434	13,043,050
- Right-of-use assets	372,973	397,806	768,222	774,396
- Intangible assets	59,098	58,562	118,896	118,327
Expenses relating to short-term leases	911,046	1,191,608	1,976,865	2,614,181
Expenses relating to leases of low-value assets	4,660	4,894	14,141	10,686
Write down of obsolete and slow-moving inventories	(106,803)	721,657	(89,754)	721,657
Write (back)/down of:				
- Property, plant and equipment	--	80,129	--	80,129
- Trade receivables	67,433	(72,282)	140,543	(72,282)
Property, plant and equipment written off	1,594	--	1,594	--
Gain on disposal of property, plant and equipment	(153,884)	(2,883)	(306,800)	(3,170)
(Gain)/Loss arising from changes in fair value of:				
- Derivative financial instruments	470,607	--	1,828,161	--
- Other investments	(517,530)	--	(729,933)	--
Gain from a bargain purchase	--	--	(133,570)	--
Personnel expenses (including key management personnel):				
- Contribution to state plans	1,123,074	1,383,015	2,150,164	2,003,111
- Wages, salaries and others	14,065,398	12,294,961	27,306,395	23,984,095
Rental income from subleasing of property	(282,101)	(467,760)	(546,168)	(827,586)
Rental concession income	--	(77,693)	--	(109,793)
Redundancy costs	--	4,922,772	--	4,929,876
Amortisation of deferred income	(67,675)	(67,675)	(135,349)	(135,349)
Net foreign exchange (gain)/ loss	371,873	(10,355)	(334,811)	(38,939)
(Gain)/Loss arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	(551,849)	(9,346,972)	(67,714)	(8,229,071)
- Australian Farm	<u>327,609</u>	<u>(1,164,161)</u>	<u>(382,668)</u>	<u>(1,994,819)</u>