

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

Interim Financial Report
Fourth quarter ended 31 March 2022

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

Condensed consolidated statement of financial position
as at 31 March 2022

	Unaudited 31.03.2022 RM	Audited 31.3.2021 RM
Assets		
Property, plant and equipment	339,570,028	307,068,897
Right-of-use assets	14,820,525	15,819,769
Biological assets	95,709,674	69,459,099
Intangible assets	20,001,224	19,894,919
Trade and other receivables	740,429	1,077,338
Deferred tax assets	9,469,156	3,352,750
Total non-current assets	<u>480,311,036</u>	<u>416,672,772</u>
Inventories	118,844,819	105,034,639
Derivative financial assets	1,518,875	--
Trade and other receivables	100,248,170	88,796,172
Current tax assets	393,813	31,070
Cash and cash equivalents	28,103,066	11,723,637
Other investments	280,594,613	--
Total current assets	<u>529,703,356</u>	<u>205,585,518</u>
Total assets	<u>1,010,014,392</u>	<u>622,258,290</u>
Equity		
Share capital	380,607,443	87,779,796
Reserves	225,335,994	146,863,517
Equity attributable to owners of the Company	605,943,437	234,643,313
Non-controlling interests	5,019,430	6,386,645
Total equity	<u>610,962,867</u>	<u>241,029,958</u>
Liabilities		
Loans and borrowings	232,316,928	101,014,756
Lease liabilities	5,919,368	6,159,799
Deferred income	6,496,730	6,768,263
Deferred tax liabilities	7,711,483	5,801,597
Total non-current liabilities	<u>252,444,509</u>	<u>119,744,415</u>
Loans and borrowings	52,300,841	140,927,921
Trade and other payables	93,075,548	83,078,535
Lease liabilities	959,930	854,653
Deferred income	270,697	269,861
Current tax liabilities	--	36,352,947
Total current liabilities	<u>146,607,016</u>	<u>261,483,917</u>
Total liabilities	<u>399,051,525</u>	<u>381,228,332</u>
Total equity and liabilities	<u>1,010,014,392</u>	<u>622,258,290</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.33</u>	<u>0.14</u>

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Condensed consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 March 2022

	Individual quarter 3 months ended		Cumulative quarter 12 months ended	
	Unaudited 31.3.2022 RM	Unaudited 31.3.2021 RM	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Revenue	128,067,675	127,505,584	501,921,211	490,498,015
Cost of sales	(91,397,991)	(92,256,361)	(365,576,725)	(349,612,502)
Gross profit	36,669,684	35,249,223	136,344,486	140,885,513
Other income	2,261,250	4,612,741	14,190,301	9,021,458
Selling and distribution expenses	(9,223,875)	(9,299,499)	(32,002,783)	(37,522,166)
Administrative expenses	(10,803,348)	(11,402,575)	(35,997,008)	(27,060,280)
Other expenses	(1,289,593)	(2,768,067)	(7,655,695)	(7,979,608)
Results from operating activities	17,614,118	16,391,823	74,879,301	77,344,917
Finance income	987,697	49,638	1,896,651	228,033
Finance costs	(2,495,897)	(2,661,891)	(11,091,593)	(9,984,341)
Net finance costs	(1,508,200)	(2,612,253)	(9,194,942)	(9,756,308)
Profit before tax	16,105,918	13,779,570	65,684,359	67,588,609
Tax (expense)/credit				
- Current tax and deferred tax	1,207,943	(3,662,708)	2,390,954	(9,052,257)
- Additional tax for prior years	--	--	--	(25,708,582)
- Reversal of over-provision for tax	--	--	10,490,033	--
Total tax (expense)/credit	1,207,943	(3,662,708)	12,880,987	(34,760,839)
Profit for the year	17,313,861	10,116,862	78,565,346	32,827,770
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 year	5,765,765	1,549,626	(1,460,084)	10,061,944
Total comprehensive income for the year	23,079,626	11,666,488	77,105,262	42,889,714
Profit/(Loss) attributable to:				
Owners of the Company	17,683,967	11,740,373	79,886,892	36,228,078
Non-controlling interests	(370,106)	(1,623,511)	(1,321,546)	(3,400,308)
Profit for the year	17,313,861	10,116,862	78,565,346	32,827,770
Total comprehensive income/ (expense) attributable to:				
Owners of the Company	23,265,945	13,186,568	78,472,477	45,353,427
Non-controlling interests	(186,319)	(1,520,080)	(1,367,215)	(2,463,713)
Total comprehensive income for the year	23,079,626	11,666,488	77,105,262	42,889,714
Basic earnings per ordinary share (sen)	0.95	0.72	4.30	2.22

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Condensed consolidated statement of changes in equity
for the financial year ended 31 March 2022

	← Attributable to owners of the Company →			Total RM	Non- controlling interests RM	Total equity RM
	Non-distributable Share capital RM	Translation reserve RM	Distributable Retained earnings RM			
At 1 April 2020	87,779,796	(5,101,207)	106,611,297	189,289,886	8,475,424	197,765,310
Foreign currency translation differences for foreign operations/ Total other comprehensive income for the year	--	9,125,349	--	9,125,349	936,595	10,061,944
Profit/(Loss) for the year	--	--	36,228,078	36,228,078	(3,400,308)	32,827,770
Total comprehensive income/(expense) for the year	--	9,125,349	36,228,078	45,353,427	(2,463,713)	42,889,714
<i>Contributions by and distributions to owners of the Company</i>						
Capital contribution by non-controlling interests/ Total transactions with owners of the Company	--	--	--	--	374,934	374,934
At 31 March 2021 (Audited)	<u>87,779,796</u>	<u>4,024,142</u>	<u>142,839,375</u>	<u>234,643,313</u>	<u>6,386,645</u>	<u>241,029,958</u>
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 expense for the year	--	(1,414,415)	--	(1,414,415)	(45,669)	(1,460,084)
Profit/(Loss) for the year	--	--	79,886,892	79,886,892	(1,321,546)	78,565,346
Total comprehensive income/(expense) for the year	--	(1,414,415)	79,886,892	78,472,477	(1,367,215)	77,105,262
<i>Contributions by and distributions to owners of the Company</i>						
Shares issued	300,988,845	--	--	300,988,845	--	300,988,845
Shares issuance expenses	(8,161,198)	--	--	(8,161,198)	--	(8,161,198)
Total transactions with owners of the Company	<u>292,827,647</u>	<u>--</u>	<u>--</u>	<u>292,827,647</u>	<u>--</u>	<u>292,827,647</u>
At 31 March 2022 (Unaudited)	<u>380,607,443</u>	<u>2,609,727</u>	<u>222,726,267</u>	<u>605,943,437</u>	<u>5,019,430</u>	<u>610,962,867</u>

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Condensed consolidated statement of cash flows for the financial year ended 31 March 2022

	12 months ended	
	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Cash flows from operating activities		
Profit before tax	65,684,359	67,588,609
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	26,738,344	19,973,666
- Right-of-use assets	1,600,997	1,236,926
- Intangible assets	233,301	203,309
Finance income	(1,896,651)	(228,033)
Finance costs	11,091,593	9,984,341
Impairment loss/(Reversal of impairment loss) on:		
- Property, plant and equipment	78,635	4,212,235
- Trade receivables	(86,020)	609,145
Write down of obsolete and slow-moving inventories	871,428	614,402
Gain on disposal of property, plant and equipment	(120,672)	(250,076)
Gain on new finance lease entered	--	(212,591)
Amortisation of deferred income	(270,697)	(266,476)
Gain arising from changes in fair value of dairy cows and goats	(9,949,771)	(4,321,205)
Provision for redundancy costs	4,850,849	3,099,374
Bad debts written-off – trade receivables	--	411,486
Unrealised gain on foreign exchange	102,252	(105,526)
Operating profit before changes in working capital	<u>98,927,947</u>	<u>102,549,586</u>
Change in deferred income	--	451,681
Change in inventories	(13,958,438)	(64,524,686)
Change in derivative financial instruments	(1,518,875)	--
Change in other investments	35,124	--
Change in trade and other receivables	(11,029,069)	(8,806,202)
Change in trade and other payables	<u>5,043,912</u>	<u>29,825,486</u>
Cash generated from operations	77,500,601	59,495,865
Interest received	1,266,914	228,033
Tax paid	<u>(29,711,427)</u>	<u>(56,355)</u>
Net cash from operating activities	<u>49,056,088</u>	<u>59,667,543</u>
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(60,815,285)	(75,093,964)
- Right-of-use assets	(110,164)	--
- Biological assets	(25,078,330)	(10,592,890)
- Intangible assets	(429,154)	(3,470,961)
- Other investments	<u>(280,000,000)</u>	<u>--</u>
Proceeds from disposal of:		
- Property, plant and equipment	1,082,128	1,072,950
- Biological assets	<u>8,025,796</u>	<u>2,423,764</u>
Net cash used in investing activities	<u>(357,325,009)</u>	<u>(85,661,101)</u>

Condensed consolidated statement of cash flows for the year ended 31 March 2022

(continued)

	12 months ended	
	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Cash flows from financing activities		
Increase in share capital	292,827,647	--
Interest paid	(8,527,989)	(6,832,257)
Drawdown of term loan	--	21,887,430
Drawdown of sukuk	200,000,000	--
Repayment of term loans	(49,448,263)	(8,787,733)
Net (payment)/ proceeds from:		
- Bankers' acceptances	(20,229,429)	23,144,766
- Revolving credits	(4,074,000)	4,074,000
- Short-term financing	(107,420)	1,020,765
Repayment of hire purchase liabilities	(36,722,415)	(9,883,070)
Capital contributed by a minority shareholder	--	374,934
Repayment of lease liabilities	(703,608)	(515,654)
Repayment of loan from a shareholder	(34,012,603)	--
Net cash from financing activities	<u>339,001,920</u>	<u>24,483,181</u>
Exchange difference on translation of the financial statements of foreign operation	(81,234)	(561,738)
Net increase/(decrease) in cash and cash equivalents	30,651,765	(2,072,115)
Cash and cash equivalents at 1 April	<u>(2,548,699)</u>	<u>(476,584)</u>
Cash and cash equivalents at 31 March	<u><u>28,103,066</u></u>	<u><u>(2,548,699)</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:

	12 months ended	
	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Cash and cash equivalents:		
- cash and bank balances	28,052,940	11,673,637
- deposits with licensed banks	50,126	50,000
	<u>28,103,066</u>	<u>11,723,637</u>
Less: Bank overdraft	--	(14,272,336)
	<u><u>28,103,066</u></u>	<u><u>(2,548,699)</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 Accountants’ Report as disclosed in the Prospectus of the Company dated 11 February 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 2021, except for the following new accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- 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)*

MFRSs, interpretations and amendments 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*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- 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)

A2. Significant accounting policies (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 year and prior year financial statements of the Group upon its first adoption.

A3. Auditors' report

The audited consolidated financial statements for the financial year ended 31 March 2021 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 year under review.

A6. Changes in estimates

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

A7. Debt and equity securities

On 27 December 2021, the Company undertook a bonus issue of 1,550,000,138 new ordinary shares to the shareholders. The bonus issue was implemented without capitalising the retained earnings or reserves and such new ordinary shares were issued at nil consideration.

The bonus issue was completed and new ordinary shares were credited as fully paid-up on a pro rata basis to our then existing shareholders based on their respective shareholdings in the Company such that their effective shareholding in the Company would be the same before and after the bonus issue.

On 22 March 2022, the Company listed on Main Market of Bursa Malaysia Securities Berhad with a public issue of 222,954,700 new ordinary shares in the Company and offer for sale by selling shareholders of up to 520,227,200 ordinary shares in the Company at a price of RM1.35 per share.

A8. Dividends paid

There were no dividends paid during the current quarter and financial year under review.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM60.82 million during the financial year under review.

There were no material disposals of property, plant and equipment during the current quarter and financial year 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 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 current quarter and financial year 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, and plant-based soya, oat and other related products.
- 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 quarter (3 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.1.2022 to 31.3.2022			
Segment profit/(loss)	<u>15,168</u>	<u>938</u>	<u>16,106</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	120,688	7,379	128,067
Inter segment revenue	17,985	35,587	53,572
Depreciation and amortisation	(5,379)	(1,770)	(7,149)
Impairment loss on property, plant and equipment	--	--	--
Redundancy costs	--	47	47
Finance costs	(2,865)	369	(2,496)
Finance income	<u>415</u>	<u>573</u>	<u>988</u>
1.1.2021 to 31.3.2021			
Segment profit/(loss)	<u>21,870</u>	<u>(8,090)</u>	<u>13,780</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	113,683	13,823	127,506
Inter segment revenue	8,405	23,777	32,182
Depreciation and amortisation	(4,892)	(1,689)	(6,581)
Redundancy costs	--	(3,099)	(3,099)
Finance costs	(1,881)	(781)	(2,662)
Finance income	<u>50</u>	<u>--</u>	<u>50</u>

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

A11. Segment information (continued)

Cumulative quarter (12 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2021 to 31.3.2022			
Segment profit/(loss)	<u>73,714</u>	<u>(8,030)</u>	<u>65,684</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	455,582	46,339	501,921
Inter segment revenue	59,598	146,581	206,179
Depreciation and amortisation	(21,541)	(7,032)	(28,573)
Impairment loss on property, plant and equipment	--	(79)	(79)
Redundancy costs	--	(4,851)	(4,851)
Finance costs	(9,357)	(1,735)	(11,092)
Finance income	<u>903</u>	<u>994</u>	<u>1,897</u>
Audited			
1.4.2020 to 31.3.2021			
Segment profit/(loss)	<u>88,173</u>	<u>(20,584)</u>	<u>67,589</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	438,783	51,715	490,498
Inter segment revenue	38,943	32,800	71,743
Depreciation and amortisation	(17,740)	(3,674)	(21,414)
Impairment loss on property, plant and equipment	--	(4,212)	(4,212)
Redundancy costs	--	(3,099)	(3,099)
Finance costs	(7,023)	(2,961)	(9,984)
Finance income	<u>228</u>	<u>--</u>	<u>228</u>

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

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 details of the call option had been disclosed in Section 11.1.1 of our Prospectus.

A13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year under review.

A14. 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 2021.

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

A15. Capital commitments

	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Contracted but not provided for:		
Plant and equipment	2,955,647	1,046,153
Intangible assets	267,522	274,021
	<u>3,223,169</u>	<u>1,320,174</u>

A16. Significant related party transactions

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

	Individual quarter 3 months ended		Cumulative quarter 12 months ended	
	Unaudited 31.3.2022 RM	Unaudited 31.3.2021 RM	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
A. Key management personnel				
<i>Directors</i>				
Remuneration	<u>677,019</u>	<u>1,851,725</u>	<u>2,162,233</u>	<u>3,608,559</u>
<i>Other key management personnel</i>				
Remuneration	<u>1,227,039</u>	<u>126,610</u>	<u>3,222,885</u>	<u>257,803</u>
B. Minority shareholder in a subsidiary				
Purchase of biological assets and other animal health related products	<u>7,403,211</u>	<u>4,357,994</u>	<u>16,582,813</u>	<u>9,692,186</u>
C. Person connected to Directors				
Purchase of motor vehicles	<u>--</u>	<u>--</u>	<u>15,000</u>	<u>--</u>
D. Companies connected to Directors				
Sales of trading goods	--	18,770	--	1,018,588
Service fees	--	61,000	--	293,000
Rental expenses	<u>3,000</u>	<u>--</u>	<u>15,000</u>	<u>--</u>
E. Shareholder				
Interest accrual	--	813,699	551,507	3,012,603
Logistics services from an associate of a shareholder	115,058	11,360	219,082	599,462
Rental expenses payable to a subsidiary of a shareholder	--	--	--	57,817
Purchase of raw material from a subsidiary of a shareholder	<u>24,000</u>	<u>--</u>	<u>84,000</u>	<u>345,000</u>

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

B1. Review of performance

Current quarter against corresponding quarter (Q4'22 vs Q4'21)

	Individual quarter 3 months ended		Changes %
	31.3.2022 RM	31.3.2021 RM	
Revenue	128,067,675	127,505,584	0.4
Gross profit	36,669,684	35,249,223	4.0
Operating profit	17,614,118	16,391,823	7.5
Profit before tax	16,105,918	13,779,570	16.9
Profit after tax	17,313,861	10,116,862	71.1
Profit attributable to owners of the Company	17,683,967	11,740,373	50.6

The Group's revenue increased by 0.4% to RM128.1 million as compared to the corresponding period in financial year 2021. This increase was mainly attributable to the increase in Malaysia operation's revenue by 6.2% or RM7.0 million driven by recovery of economic activities and consumer confidence, following further easing of restrictions and reopening of borders. The increase in Malaysia operation's revenue has been partly offset by a reduction of Australian revenue by 46.6% or RM6.4 million due to the ceasing of raw milk sales by our Australian farm to third parties 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 4.0% or RM1.5 million to RM36.7 million, with gross profit margin improving from 27.6% to 28.6%, reflecting both the sales increase and price increase of our chilled RTD milk products and ambient RTD products by an average of 5% which were implemented in September and December 2021 respectively.

The Group's operating profit improved by 7.5% or RM1.2 million, to RM17.6 million in the financial quarter ended 31 March 2022 mainly due to the aforementioned gross profit improvement.

As a result of the foregoing, the Group's profit before tax increased by 16.9% or RM2.3 million, to RM16.1 million in the financial quarter ended 31 March 2022 primarily due to the aforementioned gross profit improvement and higher financial returns and interest income arising from money market placements of the Sukuk and IPO proceeds.

The Group's profit after tax has increased by 71.1%, mainly attributable to the aforementioned increase in profit before tax and reversal of deferred tax liability by a subsidiary for the timing differences that originate and reverse in the tax holiday period. The subsidiary is approved for a new Tax Incentive for 10 (5+5) years commencing from YA2021 (refer Note B5 for more details). Accordingly, the deferred tax liability of RM1.5 million previously recorded for is reversed in the financial quarter ended 31 March 2022. The increase is also due to tax provision amount of RM2.6 million by the subsidiary in the corresponding financial quarter ended 31 March 2021 in relation to the Larkin Facility, which was subsequently reversed in Q2'22 upon the approval of the Larkin Facility Tax Incentive.

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

B1. Review of performance (continued)

Current financial year against corresponding financial year (FY'22 vs FY'21)

	Cumulative quarter 12 months ended		Changes %
	31.3.2022 RM	31.3.2021 RM	
Revenue	501,921,211	490,498,015	2.3
Gross profit	136,344,486	140,885,513	(3.2)
Operating profit	74,879,301	77,344,917	(3.2)
Profit before tax	65,684,359	67,588,609	(2.8)
Profit after tax	78,565,346	32,827,770	139.3
Profit attributable to owners of the Company ("PATAMI")	<u>79,886,892</u>	<u>36,228,078</u>	<u>120.5</u>
Reconciliation of PATAMI to Normalised PATAMI: Add/(Less) :	79,886,892	36,228,078	120.5
Reallocation of additional tax for prior years	--	25,708,582	
Reallocation of tax reversal	(10,490,033)	10,490,033	
Gross losses from IXL fruit jam business	3,648,365	5,777,933	
Impairment loss on property, plant and equipment	62,908	3,369,787	
Redundancy costs - IXL fruit jam business	3,880,679	2,479,499	
IPO expenses	7,966,565	3,714,757	
Sukuk expenses	164,868	916,900	
Claw back of / (government grant income)	<u>493,203</u>	<u>(1,970,050)</u>	
Normalised PATAMI – Note 1	<u>85,613,447</u>	<u>86,715,519</u>	<u>(1.3)</u>

Note 1 – Normalised PATAMI is calculated as profit for the financial year attributable to owners of the Company plus (i) allocation of additional tax for prior years and reversal of tax over-provision (refer Note B5 for more details); (ii) gross losses from the IXL fruit jam business of the Australian subsidiary, Henry Jones Food Pty Ltd ("HJF"); (iii) impairment loss on property, plant and equipment for certain plant machinery and equipment for the manufacture of HJF IXL fruit jam and sauces; (iv) redundancy costs as part of a rationalization plan to downsize HJF IXL fruit jam operations; (v) corporate exercise expenses in relation to our IPO exercise; (vi) professional fees in connection with the establishment of the Sukuk Wakalah Programme (vii) reversal of a one-off government grant received in FYE 31 March 2021 due to us not meeting certain conditions in FYE 31 March 2022.

Despite the impact of the prolonged Covid-19 pandemic, the Group's revenue increased by 2.3% from RM490.5 million in the financial year ended 31 March 2021 to RM501.9 million in the financial year ended 31 March 2022, mainly attributable to the increase in Malaysian revenue by 3.8% or RM16.8 million due to higher recruitment of new customers, higher sales of our RTD milk products and launching of new products. This increase is partly offset by the decline in Australian revenue by 10.4% or RM5.4 million due to the aforementioned ceasing of raw milk sales by our Australian farm to third parties and downsizing of HJF's IXL fruit jam business.

Despite the sales increase, the Group's operating profit declined by 3.2% or RM2.5 million, to RM74.9 million in the financial year ended 31 March 2022, and Group's profit before tax declined by 2.8% or RM1.9 million, to RM65.7 million, mainly due to the gross losses and redundancy cost incurred by our Australia's HJF IXL fruit jam operations during the year. Inflationary pressures from upward input costs such as raw materials, direct labour and overheads, animal feed and herd health cost as well as freight cost resulted from strained supply chain have further contributed to the decline in operating profit. Apart from that, we also incurred higher corporate professional fees in connection with our IPO exercise.

Profit after tax and PATAMI increased by 139.3% and 120.5% respectively in the financial year ended 31 March 2022 mainly due to the Additional Tax Liability (refer Note B5) of RM25,708,582 in respect of Larkin Facility for the relevant YAs from 2014 to 2020 and RM10,490,033 for YA 2021 that had been recognised during the financial year ended 31 March 2021, and subsequently reversed in the financial year ended 31 March 2022.

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

B2. Comparison with immediate preceding quarter (Q4'22 vs Q3'22)

	Current quarter 31.3.2022 RM	Preceding quarter 31.12.2021 RM	Changes %
Revenue	128,067,675	116,667,013	9.8
Gross profit	36,669,684	34,219,171	7.2
Operating profit	17,614,118	16,803,646	4.8
Profit before tax	16,105,918	14,371,920	12.1
Profit after tax	17,313,861	11,766,198	47.1
Profit attributable to owners of the Company	<u>17,683,967</u>	<u>11,460,265</u>	<u>54.3</u>

The Group's revenue increased by 9.8% or RM 11.4 million, to RM128.1 million as compared to the preceding quarter, mainly attributable to the increase in Malaysian revenue by 12.5% or RM13.4 million driven by recovery of economic activities and consumer confidence, following further easing of restrictions and reopening of borders. The increase in sales towards end-March due to seasonality, i.e. pre-Ramadhan also contributed to the increasing sales. This increase has been partly offset by the decline in Australian revenue by 21.7% or RM2.0 million due to the same reason as mentioned in Note B1 above.

The Group's gross profit has increased by 7.2% or RM2.5 million, to RM36.7 million reflecting both the increase in sales and impact of price increases of our chilled and ambient RTD products by an average of 5% which were implemented in September and December 2021 respectively.

The Group's operating profit increased by 4.8% to RM17.6 million as compared to the preceding quarter, mainly attributable to the aforementioned gross margin improvement.

The increase in the Group's profit after tax is mainly attributable to the reversal of deferred tax liability by a subsidiary for the timing differences that originate and reverse in the tax holiday period. The subsidiary is approved for a new Tax Incentive for 10 (5+5) years commencing from YA2021 (refer Note B5 for details). Accordingly, the deferred tax liability of RM1.5 million previously recorded for is reversed in the financial quarter ended 31 March 2022.

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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 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 most 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 is increasing prices for its chilled RTD products in Malaysia effective mid-July 2022 by an average of 5% and increasing prices for its chilled RTD products in Singapore by an average of 8% effective 1 August 2022.

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 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.

B4. Profit forecast

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

B5. Tax expense/(credit)

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

	Individual quarter 3 months ended		Cumulative quarter 12 months ended	
	Unaudited 31.3.2022 RM	Unaudited 31.3.2021 RM	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Tax expense	(464,000)	2,349,016	1,705,656	10,671,033
Deferred tax expense/(income)	(743,943)	1,313,692	(4,096,610)	(1,618,776)
Additional tax for prior years ⁽ⁱ⁾	--	--	--	25,708,582
Reversal of over-provision for tax ⁽ⁱ⁾	--	--	(10,490,033)	--
	<u>(1,207,943)</u>	<u>3,662,708</u>	<u>(12,880,987)</u>	<u>34,760,839</u>

- (i) A subsidiary has 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

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

B5. Tax expense/(credit) (continued)

penalty (Additional Tax Amount) of RM25,708,582 has been provided in respect of these locations for the relevant prior years of assessment (“YA”) from 2014 to 2020 (RM5,870,334 relates to YA 2020, RM5,139,424 relates to YA 2019 and the remaining amount of RM14,698,824 relates to YA 2014 to 2018).

Further, the Ministry of Finance (“MOF”) has 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 has received approval that the additional locations are approved for a new Tax Incentive under Section 127 (3A) of Income Tax Act, 1967 (“Larkin Facility of new Tax Incentive”). 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 is reversed in the financial year ended 31 March 2022.

B6. Status of corporate proposals

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad, the following listing scheme was undertaken by the Company:

Initial Public Offering (“IPO”)

(a) Public Issue

The public issue of 222,954,700 new ordinary shares in the Company at a price of RM1.35 per share.

(b) Offer for Sale

The offer for sale by selling shareholders of up to 520,227,200 ordinary shares in the Company at a price of RM1.35 per share.

The listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad is completed on 22 March 2022.

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 utilisation RM'000
1. Capital expenditure of our Group			
- Establishment of a new manufacturing hub, a new dairy farm and integrated processing facility in Malaysia	Within 24 months	140,000	--
- Expansion of our production facility in Australia	Within 18 months	60,000	--
- Regional expansion outside of Malaysia	Within 24 months	40,000	--
2. Working capital	Within 12 months	40,789	7,667
3. Estimated listing expenses	Within 3 months	20,200	12,107
		<u>300,989</u>	<u>19,774</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 31.3.2022 RM	Audited 31.3.2021 RM
Non-current		
Secured		
Term loans	17,055,872	59,604,938
Hire purchase liabilities	15,261,056	41,409,818
	32,316,928	101,014,756
Unsecured		
Sukuk	200,000,000	--
	<u>232,316,928</u>	<u>101,014,756</u>
Current		
Unsecured		
Loan from a shareholder	--	34,012,603
Sukuk	2,486,795	--
	2,486,795	34,012,603
Secured		
Term loans	1,670,403	9,062,916
Bank overdrafts	--	14,272,336
Hire purchase liabilities	5,284,323	16,240,753
Bankers' acceptances	41,888,529	62,179,558
Revolving credits	--	4,074,000
Short term financing	970,791	1,085,755
	<u>49,814,046</u>	<u>106,915,318</u>
	<u>52,300,841</u>	<u>140,927,921</u>
	<u>284,617,769</u>	<u>241,942,677</u>

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.

In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group. Notwithstanding, our solicitors are of the opinion that our Group has good prospects to succeed in the legal action, and do not expect any counterclaims by Shepparton Partners Collective Group.

B10. Dividends

The Board of Directors does not recommend any dividend for the current financial year under review.

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 12 months ended	
	Unaudited 31.3.2022	Unaudited 31.3.2021	Unaudited 31.3.2022	Audited 31.3.2021
Net profit attributable to the owners of the Company (RM)	17,683,967	11,740,373	79,886,892	36,228,078
Weighted average number of ordinary shares in issue ⁽ⁱ⁾	<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>0.95</u>	<u>0.72</u>	<u>4.30</u>	<u>2.22</u>

- (i) For individual and cumulative quarter ended 31 March 2021, based on the issued share capital of 1,635,000,137 ordinary shares after the completion of the bonus issue as mentioned in Note A7. For individual and cumulative quarter ended 31 March 2022, based on the issued share capital of 1,857,954,837 ordinary shares after the completion of initial public offering.
- (ii) The Company does not have any dilutive potential ordinary shares as at end of the financial quarter and financial year under review.

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

B12. Revenue

	Individual quarter 3 months ended		Cumulative quarter 12 months ended	
	Unaudited 31.3.2022 RM	Unaudited 31.3.2021 RM	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Revenue from contracts with customers				
- At a point in time	<u>128,067,675</u>	<u>127,505,584</u>	<u>501,921,211</u>	<u>490,498,015</u>

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 12 months ended	
	Unaudited 31.3.2022 RM	Unaudited 31.3.2021 RM	Unaudited 31.3.2022 RM	Audited 31.3.2021 RM
Profit for the year is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- Property, plant and equipment	6,678,680	6,154,569	26,738,344	19,973,666
- Right-of-use assets	412,549	367,881	1,600,997	1,236,926
- Intangible assets	57,132	58,066	233,301	203,309
Expenses relating to short-term leases	1,039,951	1,191,608	4,745,774	2,781,426
Expenses relating to leases of low-value assets	12,195	5,720	34,841	24,051
Write down of obsolete and slow-moving inventories	17,999	614,402	871,428	614,402
Impairment loss/(Reversal of impairment loss) on:				
- Property, plant and equipment	(762)	70,566	78,635	4,212,235
- Trade receivables	843	609,145	(86,020)	609,145
Property, plant and equipment written off	145,844	--	145,844	--
Gain on disposal of property, plant and equipment	(84,037)	(456,244)	(120,672)	(462,667)
Personnel expenses (including key management personnel):				
- Contribution to state plans	1,052,039	1,075,802	3,982,363	3,186,432
- Wages, salaries and others	10,328,788	15,913,071	46,919,104	38,041,353
Rental income from subleasing of property	(404,623)	(330,907)	(1,656,655)	(1,012,969)
Rental concession income	--	(96,300)	(157,091)	(224,700)
Redundancy costs	(46,994)	3,099,374	4,850,849	3,099,374
Government grant income	--	(157,091)	--	(2,462,563)
Amortisation of deferred income	(67,674)	(67,674)	(270,697)	(266,476)
Net foreign exchange loss	417,024	66,773	451,560	(14,055)
(Gain)/Loss arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	(316,893)	(3,826,846)	(6,881,746)	(3,996,068)
- Australian Farm	<u>235,612</u>	<u>(757,935)</u>	<u>(3,068,025)</u>	<u>(325,137)</u>