

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

Interim Financial Report
Third quarter ended 31 December 2022

Farm Fresh Berhad
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Registration Number: 201001010221 (894851-U)
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Condensed consolidated statement of financial position
as at 31 December 2022

	Unaudited 31.12.2022 RM	Audited 31.3.2022 RM
Assets		
Property, plant and equipment	396,292,250	339,570,028
Right-of-use assets	14,811,171	14,820,525
Biological assets	107,313,587	95,709,674
Intangible assets	19,490,304	20,001,224
Trade and other receivables	817,383	740,429
Deferred tax assets	7,942,623	9,469,156
Total non-current assets	<u>546,667,318</u>	<u>480,311,036</u>
Inventories	206,703,605	118,844,819
Derivative financial assets	816,525	1,518,875
Trade and other receivables	120,656,604	100,248,170
Current tax assets	1,309,645	393,813
Cash and cash equivalents	27,398,028	28,103,066
Other investments	181,213,592	280,594,613
Total current assets	<u>538,097,999</u>	<u>529,703,356</u>
Total assets	<u>1,084,765,317</u>	<u>1,010,014,392</u>
Equity		
Share capital	380,607,443	380,607,443
Reserves	245,408,429	225,335,994
Equity attributable to owners of the Company	626,015,872	605,943,437
Non-controlling interests	5,336,535	5,019,430
Total equity	<u>631,352,407</u>	<u>610,962,867</u>
Liabilities		
Loans and borrowings	246,228,044	232,316,928
Lease liabilities	5,671,555	5,919,368
Deferred income	6,293,707	6,496,730
Deferred tax liabilities	8,124,483	7,711,483
Total non-current liabilities	<u>266,317,789</u>	<u>252,444,509</u>
Loans and borrowings	105,290,539	52,300,841
Derivative financial liabilities	1,507,366	--
Trade and other payables	79,756,237	93,075,548
Lease liabilities	270,282	959,930
Deferred income	270,697	270,697
Total current liabilities	<u>187,095,121</u>	<u>146,607,016</u>
Total liabilities	<u>453,412,910</u>	<u>399,051,525</u>
Total equity and liabilities	<u>1,084,765,317</u>	<u>1,010,014,392</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.34</u>	<u>0.33</u>

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Condensed consolidated statement of profit or loss and other comprehensive income for the third quarter ended 31 December 2022

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Revenue	162,165,396	116,667,013	468,326,876	373,853,536
Cost of sales	(122,673,148)	(82,447,842)	(351,434,837)	(274,178,734)
Gross profit	39,492,248	34,219,171	116,892,039	99,674,802
Other income	3,959,308	264,227	8,937,764	11,929,051
Selling and distribution expenses	(12,130,589)	(8,049,027)	(38,841,786)	(22,778,908)
Administrative expenses	(8,459,244)	(9,474,988)	(25,146,888)	(25,193,660)
Other expenses	847,251	(155,737)	(5,569,776)	(6,366,102)
Results from operating activities	23,708,974	16,803,646	56,271,353	57,265,183
Finance income	80,841	513,863	385,025	908,954
Finance costs	(3,436,062)	(2,945,589)	(8,993,587)	(8,595,696)
Net finance costs	(3,355,221)	(2,431,726)	(8,608,562)	(7,686,742)
Profit before tax	20,353,753	14,371,920	47,662,791	49,578,441
Tax (expense)/credit				
- Current tax and deferred tax	(1,591,675)	(2,605,722)	(2,216,355)	1,183,011
- Reversal of over-provision for tax	--	--	--	10,490,033
Total tax (expense)/credit	(1,591,675)	(2,605,722)	(2,216,355)	11,673,044
Profit for the period	18,762,078	11,766,198	45,446,436	61,251,485
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	(1,585,545)	447,324	(8,330,366)	(7,225,849)
Total comprehensive income for the period	17,176,533	12,213,522	37,116,070	54,025,636
Profit/(Loss) attributable to:				
Owners of the Company	18,768,233	11,460,265	45,190,269	62,202,925
Non-controlling interests	(6,155)	305,933	256,167	(951,440)
Profit for the period	18,762,078	11,766,198	45,446,436	61,251,485
Total comprehensive income/ (expense) attributable to:				
Owners of the Company	17,240,734	11,907,935	37,150,092	55,206,532
Non-controlling interests	(64,201)	305,587	(34,022)	(1,180,896)
Total comprehensive income for the period	17,176,533	12,213,522	37,116,070	54,025,636
Basic earnings per ordinary share (sen)	1.01	0.70	2.43	3.80
Diluted earnings per ordinary share (sen)	1.01	0.70	2.43	3.80

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Condensed consolidated statement of changes in equity
for the third quarter ended 31 December 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	--	(6,996,393)	--	--	(6,996,393)	(229,456)	(7,225,849)
Profit/(Loss) for the period	--	--	--	62,202,925	62,202,925	(951,440)	61,251,485
Total comprehensive income/(expense) for the period	--	(6,996,393)	--	62,202,925	55,206,532	(1,180,896)	54,025,636
At 31 December 2021	87,779,796	(2,972,251)	--	205,042,300	289,849,845	5,205,749	295,055,594
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	--	(8,040,177)	--	--	(8,040,177)	(290,189)	(8,330,366)
Profit for the period	--	--	--	45,190,269	45,190,269	256,167	45,446,436
Total comprehensive income/(expense) for the period	--	(8,040,177)	--	45,190,269	37,150,092	(34,022)	37,116,070
<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	--	--	2,802,459	--	2,802,459	--	2,802,459
Total transactions with owners of the Company	--	--	2,802,459	(19,880,116)	(17,077,657)	351,127	(16,726,530)
At 31 December 2022	380,607,443	(5,430,450)	2,802,459	248,036,420	626,015,872	5,336,535	631,352,407

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Condensed consolidated statement of cash flows for the third quarter ended 31 December 2022

	9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Cash flows from operating activities		
Profit before tax	47,662,791	49,578,441
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	23,364,359	20,059,664
- Right-of-use assets	1,172,893	1,188,448
- Intangible assets	177,092	176,169
Finance income	(385,025)	(908,954)
Finance costs	8,993,587	8,595,696
Equity settled share based payment	2,802,459	--
Impairment loss/(Reversal of impairment loss) on:		
- Property, plant and equipment	--	79,397
- Trade receivables	205,515	(86,863)
Written off of:		
- property, plant and equipment	7,728	--
- obsolete and slow-moving inventories	45,976	853,429
Gain on disposal of property, plant and equipment	(285,180)	(36,635)
Gain from a bargain purchase	(133,570)	--
Amortisation of deferred income	(203,023)	(203,023)
(Gain)/Loss arising from changes in fair value of:		
- dairy cows and goats	(1,450,455)	(9,868,490)
- derivatives financial instruments	2,209,716	--
- other investments	(1,613,232)	--
Dividend income from other investments	(3,005,747)	--
Provision for redundancy costs	--	4,897,843
Unrealised gain on foreign exchange	(576,953)	--
Operating profit before changes in working capital	78,988,931	74,325,122
Change in inventories	(86,710,020)	(1,835,175)
Change in trade and other receivables	(18,179,744)	4,165,060
Change in trade and other payables	(15,586,179)	(11,086,530)
Cash (used in)/generated from operations	(41,487,012)	65,568,477
Interest received	385,025	908,954
Tax paid	(1,638,832)	(26,638,058)
Net cash (used in)/from operating activities	(42,740,819)	39,839,373
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(84,140,006)	(42,114,686)
- Right-of-use assets	(1,464,745)	(110,164)
- Biological assets	(18,877,982)	(17,462,377)
- Intangible assets	(298,525)	(352,813)
- Subsidiary, net of cash and cash equivalents acquired	(3,238,422)	--
Withdrawal from other investments	104,000,000	--
Proceeds from disposal of:		
- Property, plant and equipment	7,984,428	445,502
- Biological assets	7,031,679	6,545,088
Net cash from/(used in) investing activities	10,996,427	(53,049,450)

Condensed consolidated statement of cash flows for the third quarter ended 31 December 2022
(continued)

	9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Cash flows from financing activities		
Interest paid	(10,616,381)	(7,885,706)
Dividend paid	(19,880,116)	--
Drawdown of term loan	13,846,400	--
Drawdown of sukuk	--	200,000,000
Repayment of term loans	(597,805)	(49,216,944)
Net (payment)/ proceeds from:		
- Bankers' acceptances	40,514,362	(20,392,004)
- Revolving credits	14,760,000	(4,074,000)
- Short-term financing	603,399	372,296
Repayment of hire purchase liabilities	(5,018,515)	(35,625,673)
Capital contributed by a minority shareholder	351,127	--
Repayment of lease liabilities	(1,118,656)	(549,551)
Repayment of loan from a shareholder	--	(34,012,603)
Net cash from financing activities	<u>32,843,815</u>	<u>48,615,815</u>
Exchange difference on translation of the financial statements of foreign operation	(1,804,461)	(3,456,363)
Net increase/(decrease) in cash and cash equivalents	(705,038)	31,949,375
Cash and cash equivalents at 1 April	<u>28,103,066</u>	<u>(2,548,699)</u>
Cash and cash equivalents at 31 December	<u><u>27,398,028</u></u>	<u><u>29,400,676</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:

	9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Cash and cash equivalents:		
- cash and bank balances	27,347,776	29,350,550
- deposits with licensed banks	50,252	50,126
	<u><u>27,398,028</u></u>	<u><u>29,400,676</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 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

There were no dividends paid during the financial period under review.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM90.37 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			
1.10.2022 to 31.12.2022			
Segment profit/(loss) before tax	<u>20,248</u>	<u>106</u>	<u>20,354</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	132,222	29,944	162,166
Inter-segment revenue	25,932	39,417	65,349
Depreciation and amortisation	(6,675)	(2,062)	(8,737)
Finance costs	(2,771)	(665)	(3,436)
Finance income	<u>71</u>	<u>10</u>	<u>81</u>
1.10.2021 to 31.12.2021			
Segment profit/(loss)	<u>14,478</u>	<u>(107)</u>	<u>14,371</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	107,244	9,423	116,667
Inter-segment revenue	15,166	48,727	63,893
Depreciation and amortisation	(5,752)	(1,737)	(7,489)
Impairment loss on property, plant and equipment	--	(1)	(1)
Redundancy costs	--	(32)	(32)
Finance costs	(2,129)	(817)	(2,946)
Finance income	<u>153</u>	<u>361</u>	<u>514</u>

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

A11. Segment information (continued)

Cumulative quarter (9 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2022 to 31.12.2022			
Segment profit/(loss)	<u>49,259</u>	<u>(1,596)</u>	<u>47,663</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	398,941	69,386	468,327
Inter-segment revenue	66,346	123,248	189,594
Depreciation and amortisation	(18,789)	(5,925)	(24,714)
Finance costs	(7,448)	(1,546)	(8,994)
Finance income	<u>196</u>	<u>189</u>	<u>385</u>
Unaudited			
1.4.2021 to 31.12.2021			
Segment profit/(loss)	<u>62,681</u>	<u>(13,103)</u>	<u>49,578</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	334,894	38,960	373,854
Inter-segment revenue	41,613	110,994	152,607
Depreciation and amortisation	(16,162)	(5,262)	(21,424)
Impairment loss on property, plant and equipment	--	(79)	(79)
Redundancy costs	--	(4,898)	(4,898)
Finance costs	(6,492)	(2,104)	(8,596)
Finance income	<u>909</u>	<u>--</u>	<u>909</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 13 December 2022, the Company incorporated a wholly-owned subsidiary, Farm Fresh Milk Incorporated.

The incorporation 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
31.12.2022				
Financial assets				
Interest rate swap	817	--	817	817
Other investments	181,214	--	181,214	181,214
	<u>182,031</u>	<u>--</u>	<u>182,031</u>	<u>182,031</u>
Financial liabilities				
Forward exchange contracts	(1,507)	--	(1,507)	(1,507)
Hire purchase liabilities	--	(21,121)	(21,121)	(22,134)
Term loans	--	(31,038)	(31,038)	(30,785)
Sukuk	--	(200,652)	(200,652)	(200,652)
	<u>(1,507)</u>	<u>(252,811)</u>	<u>(254,318)</u>	<u>(255,078)</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 31.12.2022 RM	Audited 31.3.2022 RM
Contracted but not provided for:		
Plant and equipment	15,769,488	2,955,647
Intangible assets	124,263	267,522
	<u>15,893,751</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 9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
A. Key management personnel				
<i>Directors</i>				
Remuneration	<u>442,761</u>	<u>666,819</u>	<u>1,281,375</u>	<u>1,485,214</u>
<i>Other key management personnel</i>				
Remuneration	<u>895,601</u>	<u>588,264</u>	<u>2,598,777</u>	<u>1,995,846</u>
B. Minority shareholder in a subsidiary				
Purchase of biological assets and other animal health related products	<u>6,936,373</u>	<u>5,838,701</u>	<u>7,860,345</u>	<u>9,179,602</u>
C. Person connected to Directors				
Purchase of motor vehicles	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,000</u>
D. Companies connected to Directors				
Rental expenses	<u>3,000</u>	<u>3,000</u>	<u>9,000</u>	<u>12,000</u>
E. Shareholder				
Interest accrual	--	--	--	551,507
Logistics services from an associate of a shareholder	158,299	13,450	267,089	104,024
Purchase of raw material from a subsidiary of a shareholder	<u>30,000</u>	<u>--</u>	<u>126,000</u>	<u>60,000</u>

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

B1. Review of performance

Current quarter against corresponding quarter (Q3'23 vs Q3'22)

	Individual quarter 3 months ended		Changes %
	31.12.2022 RM	31.12.2021 RM	
Revenue	162,165,396	116,667,013	39.0
Gross profit	39,492,248	34,219,171	15.4
Operating profit	23,708,974	16,803,646	40.2
Profit before tax	20,353,753	14,371,920	41.6
Profit after tax	18,762,078	11,766,198	59.5
Profit attributable to owners of the Company	<u>18,768,233</u>	<u>11,460,265</u>	<u>63.8</u>
Reconciliation of PATAMI to Normalised PATAMI: Add/(Less) :	18,768,233	11,460,265	63.8
IPO expenses	--	2,203,844	
Fair value (gain)/loss on valuation of biological assets	(844,903)	617,163	
Fair value (gain)/loss on forward foreign exchange contracts	462,027	--	
Share option scheme expenses (ESOS)	<u>(1,525,005)</u>	<u>--</u>	
Normalised PATAMI	<u>16,860,352</u>	<u>14,281,272</u>	<u>18.6</u>

The Group's revenue increased by 39.0% or RM45.5 million as compared to the corresponding quarter in financial year 2022, mainly attributable to the increase in Malaysian revenue by 23.3% or RM25.0 million driven by positive sales momentum accompanied with launching of new products, further boosted by the School Milk Program. Australian revenue increased from RM9.4 million in Q3'22 to RM29.9 million in Q3'23 underpinned by increasing external sales from Goulburn Valley Creamery Pty Ltd.

Despite the strong increase in revenue, the Group's gross profit increased by only 15.4% or RM5.3 million, as the Group's revenue during the quarter had more contribution from the Australian operations (RM29.9 million in current quarter vs RM9.4 million in corresponding quarter) which recorded lower margins.

The Group's operating profit and profit before tax increased by RM6.9 million and RM6.0 million respectively, primarily due to the increase in gross profit as mentioned above, as well as the reversal of RM1.5 million ESOS expenses in current period. The reversal of the ESOS expense is done based on the latest number of acceptances of the ESOS offer and finalization of fair value of the option subsequent to a review done, as advised by the ESOS consultant. Apart from that, the Group also recorded a higher fair value gain on valuation of biological assets of RM1.0 million as opposed to RM0.4 million fair value loss in the corresponding quarter.

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 9 months ended		Changes %
	31.12.2022 RM	31.12.2021 RM	
Revenue	468,326,876	373,853,536	25.3
Gross profit	116,892,039	99,674,802	17.3
Operating profit	56,271,353	57,265,183	(1.7)
Profit before tax	47,662,791	49,578,441	(3.9)
Profit after tax	45,446,436	61,251,485	(25.8)
Profit attributable to owners of the Company ("PATAMI")	<u>45,190,269</u>	<u>62,202,925</u>	<u>(27.4)</u>
Reconciliation of PATAMI to Normalised PATAMI: Add/(Less) :	45,190,269	62,202,925	(27.4)
Gross losses from IXL fruit jam business	171,513	3,728,247	
Redundancy costs - IXL fruit jam business	--	3,918,274	
IPO expenses	--	3,938,472	
Fair value gain on valuation of biological assets	(1,218,751)	(9,207,763)	
Fair value (gain)/loss on forward foreign exchange contracts	2,290,188	--	
Share option scheme expenses (ESOS)	2,614,707	--	
Reallocation of tax reversal ⁽ⁱ⁾	--	(10,490,033)	
Deferred tax income arising from business losses by Australian subsidiaries ⁽ⁱⁱ⁾	--	(5,646,934)	
Normalised PATAMI	<u>49,047,926</u>	<u>48,443,188</u>	<u>1.2</u>

(i) Please refer Note B5 for more details.

(ii) Deferred tax income arising from the business losses of HJF IXL fruit jam operations amounted to RM3.7 million in the preceding 9-month period ended 31 December 2021, while the remaining related to the business losses of other Australian subsidiaries.

The Group registered a nine-month revenue of RM468.3 million in the current financial period, representing an increase of 25.3% or RM94.5 million. The increase was mainly attributable to the increase in Malaysian revenue by 19.1% or RM64.0 million driven by higher school milk sales, coupled with higher sales of our RTD milk products and positive impact from launching of new products. Apart from that, Australian revenue also increased by 78.1% or RM30.4 million driven by higher external sales from Goulburn Valley Creamery Pty Ltd.

The Group's gross profit increased by 17.3% or RM17.2 million reflecting the higher sales. Gross profit margin declined to 25.0% in the current financial period from 26.7% in the corresponding financial period mainly attributable to higher input costs such as dairy raw materials, animal feed and herd health cost as well as freight cost.

Despite the increase in gross profit, operating profit and profit before tax declined by RM1.0 million and RM1.9 million respectively, mainly due to Employees' Share Option Scheme ("ESOS") expenses of RM2.6 million which was 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 RM2.3 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 (Q3'23 vs Q2'23)

	Current quarter 31.12.2022 RM	Preceding quarter 30.9.2022 RM	Changes %
Revenue	162,165,396	162,139,661	--
Gross profit	39,492,248	39,692,465	--
Operating profit	23,708,974	16,030,102	47.9
Profit before tax	20,353,753	13,126,094	55.1
Profit after tax	18,762,078	11,371,734	65.0
Profit attributable to owners of the Company	<u>18,768,233</u>	<u>11,185,599</u>	<u>67.8</u>

The Group's revenue and gross profit in current quarter have remained constant as compared to the preceding quarter.

The Group's operating profit and profit before tax increased by 47.9% to RM23.7 million and 55.1% to RM20.4 million respectively, mainly due to a reversal of RM1.5 million ESOS expenses in the current quarter as opposed to a provision of RM2.1 million ESOS expenses in the preceding quarter. The ESOS expense is done based on the latest number of acceptances of the ESOS offer and finalization of fair value of the option subsequent to a review done, as advised by the ESOS consultant. Apart from that, the Group also recorded a lower selling and distribution expense of RM1.0 million in current quarter which in line with the lower school milk sales due to school holiday. The Group also recorded a higher fair value gain on valuation of biological assets of RM1.0 million as compared to RM0.2 million in 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 last quarter of the financial year and going into the next 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. 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 March 2023 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 March 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. Notwithstanding, higher seasonal sales with the coming Ramadhan month, the increased prices for chilled RTD products in Malaysia effective August 2022, cost-containment measures undertaken within our operations, together with the lower whole milk powder prices is likely to result in an improvement in our gross profit margin in last quarter of the financial year.

We will also continue to drive our ESG agenda in the coming year. We are in the process of developing a biogas plant in the Muadzam Shah farm, expected to be operational by end of 2023 and 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 March 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.

As part of our business expansion plans, we have recently proposed to acquire a controlling stake in the largest home-grown ice cream chain in Malaysia, The Inside Scoop Sdn Bhd ("TISSB"). This acquisition, which is expected to be completed in May 2023, will pave the way for the Group's entry and ownership in one of the fastest growing artisanal ice creameries and largest home-grown ice-cream chain in Malaysia, which is expected to be accretive to the earnings the Group. We intend to leverage on the competency and experience of the founders of TISSB who will spearhead FFB's ice cream division and lead our foray into the lucrative consumer package goods ice cream market.

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 9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Tax expense	316,000	1,310,470	723,000	2,169,656
Deferred tax expense/(income)	1,275,675	(1,295,252)	1,493,355	(3,352,667)
Reversal of over-provision for tax ⁽ⁱ⁾	--	--	--	(10,490,033)
	<u>1,591,675</u>	<u>(2,605,722)</u>	<u>2,216,355</u>	<u>(11,673,044)</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 31 December 2022.

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

B6. Status of corporate proposals

On 15 February 2023, the Company announced that it has entered into the following agreements:

- (i) a share purchase agreement with the existing shareholders of The Inside Scoop Sdn Bhd (“**TISSB**”), namely Edmund Tan Jun Hua (“**Edmund Tan**”), Wu Chuang Yang, Derrick (“**Derrick Wu**”) and Harsh Rajpal (collectively referred to as “**Vendors**”) (“**SPA**”) for the proposed acquisition by FFB of 462,739 existing ordinary shares in TISSB (“**TISSB Shares**”) (“**Sale Shares**”), representing 53.0% of the enlarged issued TISSB Shares after the completion of the Proposals (as defined below), for a total purchase consideration of approximately RM68.4 million, subject to adjustments, based on the terms and conditions of the SPA (“**Purchase Consideration**”) (“**Proposed Acquisition**”); and
- (ii) a share subscription agreement with TISSB (“**SSA**”) for the proposed subscription by FFB of 104,771 new TISSB Shares (“**Subscription Shares**”), representing 12.0% of the enlarged issued TISSB Shares after the completion of the Proposals, for a total subscription consideration of approximately RM15.5 million based on the terms and conditions of the SSA (“**Subscription Consideration**”) (“**Proposed Subscription**”).

(The Proposed Acquisition and the Proposed Subscription are collectively referred to as “**Proposals**”)

(The SPA and SSA are collectively referred to as “**Transaction Documents**”)

Upon completion of the Proposals, TISSB will become a 65.0%-owned subsidiary of FFB while the remaining 35.0% equity interest in TISSB will be held by Edmund Tan. FFB and Edmund Tan will, upon the completion of the Proposals, enter into a shareholders’ agreement (“**SHA**”) to regulate the relationship of both parties as shareholders of TISSB. Pursuant to the SHA, FFB will grant to Edmund Tan the right to require FFB to purchase from Edmund Tan, upon the occurrence of any of the Triggering Events at any time during Put Option Period (collectively defined in Section 2.5 of this Announcement), the remaining TISSB Shares held by Edmund Tan (“**Put Option Shares**”) (“**Put Option**”).

The Proposals are subject to the following being obtained:

- (i) approval of the shareholders of FFB for the Proposals including the issuance of the 13,158,000 new ordinary shares in FFB pursuant to the Proposed Acquisition (“**Consideration Shares**”) and granting of the Put Option at an extraordinary general meeting of the Company to be convened;
- (ii) approval of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities; and
- (iii) any other relevant authority and/or party, if required.

The Proposed Acquisition and the Proposed Subscription are inter-conditional. The Proposals are not conditional upon any other corporate proposal/scheme of the Company.

Other than the above, there were no corporate proposals pending completion as at the date of this report.

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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	Proposed utilisation RM'000	Variation ⁽¹⁾ RM'000	Balance to be utilized RM'000	Actual utilization to 31.12.2022 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	(8,763)	131,237	(19,041)
- <i>Expansion of our production facility in Australia</i>	Within 18 months	60,000	(55,149)	4,851	(4,851)
- <i>Regional expansion outside of Malaysia</i>	Within 24 months	40,000	-	40,000	(2,196)
2. Working capital	Within 12 months	40,789	-	40,789	(40,789)
3. Estimated listing expenses	Within 3 months	20,200	-	20,200	(18,982)
4. Proposed acquisition of TISSB	On the date of completion of the SSA and SPA (as defined herein)	-	63,912	63,912	-
		300,989	-	300,989	(85,859)

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

(1) The variation was announced on 15 February 2023.

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

B8. Loans and borrowings

	Unaudited 31.12.2022 RM	Audited 31.3.2022 RM
Non-current		
Secured		
Term loans	30,387,305	17,055,872
Hire purchase liabilities	15,840,739	15,261,056
	46,228,044	32,316,928
Unsecured		
Sukuk	200,000,000	200,000,000
	<u>246,228,044</u>	<u>232,316,928</u>
Current		
Unsecured		
Sukuk	652,274	2,486,795
Secured		
Term loans	397,315	1,670,403
Hire purchase liabilities	6,292,780	5,284,323
Bankers' acceptances	81,680,213	41,888,529
Revolving credits	14,760,000	--
Short term financing	1,507,957	970,791
	<u>104,638,265</u>	<u>49,814,046</u>
	<u>105,290,539</u>	<u>52,300,841</u>
	<u>351,518,583</u>	<u>284,617,769</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM28,392,650 (31.3.2022: RM15,736,500), hire purchase liabilities of RM17,108,547 (31.3.2022: RM20,545,379), bankers' acceptances of RM14,943,500 (31.3.2022: RM12,589,200) and short term financing of RM1,507,957 (31.3.2022: RM970,791) are denominated in AUD.

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 31 December 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.

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

B10. Dividends

The Board of Directors does not recommend any dividend for the current financial period 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 9 months ended	
	Unaudited 31.12.2022	Unaudited 31.12.2021	Unaudited 31.12.2022	Unaudited 31.12.2021
Net profit attributable to the owners of the Company (RM)	18,768,233	11,460,265	45,190,269	62,202,925
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>1.01</u>	<u>0.70</u>	<u>2.43</u>	<u>3.80</u>

(i) For individual and cumulative quarter ended 31 December 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 31 December 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 9 months ended	
	Unaudited 31.12.2022	Unaudited 31.12.2021	Unaudited 31.12.2022	Unaudited 31.12.2021
Net profit attributable to the owners of the Company (RM)	18,768,233	11,460,265	45,190,269	62,202,925
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⁾	3,945,680	--	3,945,680	--
Total weighted average number of ordinary shares	<u>1,861,900,517</u>	<u>1,635,000,137</u>	<u>1,861,900,517</u>	<u>1,635,000,137</u>
Diluted EPS (sen)	<u>1.01</u>	<u>0.70</u>	<u>2.43</u>	<u>3.80</u>

(iii) For individual and cumulative quarter ended 31 December 2022, adjusted for Employees’ Share Option Scheme (“ESOS”).

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

B12. Revenue

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Revenue from contracts with customers				
- At a point in time	<u>162,165,396</u>	<u>116,667,013</u>	<u>468,326,876</u>	<u>373,853,536</u>

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2021 RM
Profit for the year is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- Property, plant and equipment	8,274,925	7,016,613	23,364,359	20,059,664
- Right-of-use assets	404,671	414,052	1,172,893	1,188,448
- Intangible assets	58,196	57,842	177,092	176,169
Expenses relating to short-term leases	1,226,467	1,091,642	3,203,332	3,705,823
Expenses relating to leases of low-value assets	18,066	11,960	32,207	22,646
(Reversal of)/Impairment loss on:				
- Property, plant and equipment	--	(732)	--	79,397
- Trade receivables	64,972	(14,581)	205,515	(86,863)
Written off of:				
- Property, plant and equipment	6,134	--	7,728	--
- Obsolete and slow-moving inventories	135,730	131,772	45,976	853,429
(Gain)/Loss on disposal of property, plant and equipment	21,620	(33,465)	(285,180)	(36,635)
Gain from a bargain purchase	--	--	(133,570)	--
Personnel expenses (including key management personnel):				
- Contribution to state plans	1,068,581	927,213	3,218,745	2,930,324
- Wages, salaries and others	13,360,753	12,606,211	40,667,148	36,590,316
- Equity settled share based payment	(1,550,961)	--	2,802,459	--
Rental income from subleasing of property	(341,986)	(424,446)	(888,154)	(1,252,032)
Rental concession income	--	(49,488)	--	(159,281)
Redundancy costs	--	(32,033)	--	4,897,843
Amortisation of deferred income	(67,674)	(67,674)	(203,023)	(203,023)
Net foreign exchange (gain)/ loss	(663,086)	73,475	(997,897)	34,536
(Gain)/Loss arising from changes in fair value of:				
- Derivative financial instruments	381,555	--	2,209,716	--
- Other investments	(883,299)	--	(1,613,232)	--
Dividend income from other investment	(886,548)	--	(3,005,747)	--
(Gain)/Loss arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	(224,221)	1,664,218	(291,935)	(6,564,853)
- Australian Farm	<u>(775,852)</u>	<u>(1,308,818)</u>	<u>(1,158,520)</u>	<u>(3,303,637)</u>