

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

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

Interim Financial Report
First quarter ended 30 June 2023

Farm Fresh Berhad
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Registration Number: 201001010221 (894851-U)
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**Condensed consolidated statement of financial position
as at 30 June 2023**

	Unaudited 30.6.2023 RM	Audited 31.3.2023 RM
Assets		
Property, plant and equipment	439,486,826	413,860,741
Right-of-use assets	30,563,495	19,378,412
Biological assets	118,408,944	115,193,886
Intangible assets	79,524,964	19,316,783
Trade and other receivables	1,029,563	1,130,046
Deferred tax assets	7,601,475	7,673,816
Total non-current assets	<u>676,615,267</u>	<u>576,553,684</u>
Inventories	142,854,826	173,674,616
Derivative financial assets	1,257,479	685,111
Trade and other receivables	161,114,277	131,421,456
Current tax assets	1,923,495	1,541,484
Cash and cash equivalents	54,301,627	22,969,591
Other investments	163,002,519	155,789,952
Total current assets	<u>524,454,223</u>	<u>486,082,210</u>
Total assets	<u>1,201,069,490</u>	<u>1,062,635,894</u>
Equity		
Share capital	401,923,339	381,071,015
Reserves	229,772,255	249,934,144
Equity attributable to owners of the Company	631,695,594	631,005,159
Non-controlling interests	17,526,658	4,896,437
Total equity	<u>649,222,252</u>	<u>635,901,596</u>
Liabilities		
Loans and borrowings	343,868,354	243,317,647
Lease liabilities	15,791,312	8,124,120
Deferred income	6,158,358	6,226,033
Deferred tax liabilities	7,855,908	7,731,483
Put option liability	34,509,426	--
Total non-current liabilities	<u>408,183,358</u>	<u>265,399,283</u>
Loans and borrowings	56,925,740	92,934,269
Derivative financial liabilities	--	1,694,958
Trade and other payables	79,854,319	64,141,913
Lease liabilities	6,613,124	2,293,178
Deferred income	270,697	270,697
Total current liabilities	<u>143,663,880</u>	<u>161,335,015</u>
Total liabilities	<u>551,847,238</u>	<u>426,734,298</u>
Total equity and liabilities	<u>1,201,069,490</u>	<u>1,062,635,894</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.34</u>	<u>0.34</u>

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Condensed consolidated statement of profit or loss and other comprehensive income for the first quarter ended 30 June 2023

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2023 RM	Unaudited 30.6.2022 RM
Revenue	185,456,227	144,021,819
Cost of sales	<u>(152,583,049)</u>	<u>(106,314,493)</u>
Gross profit	32,873,178	37,707,326
Other income	5,020,038	2,996,848
Selling and distribution expenses	(13,970,993)	(12,381,810)
Administrative expenses	(13,661,774)	(7,988,147)
Other expenses	<u>(985,426)</u>	<u>(3,801,940)</u>
Results from operating activities	9,275,023	16,532,277
Finance income	139,620	210,302
Finance costs	<u>(3,545,788)</u>	<u>(2,559,635)</u>
Net finance costs	<u>(3,406,168)</u>	<u>(2,349,333)</u>
Profit before tax	5,868,855	14,182,944
Tax (expense)/credit	<u>(259,540)</u>	<u>1,129,680</u>
Profit for the period	5,609,315	15,312,624
Other comprehensive income/(expense), net of tax items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences/ Other comprehensive income/(expense) for the period	<u>7,779,866</u>	<u>(5,574,945)</u>
Total comprehensive income for the period	<u>13,389,181</u>	<u>9,737,679</u>
Profit/(Loss) attributable to:		
Owners of the Company	6,370,931	15,236,437
Non-controlling interests	<u>(761,616)</u>	<u>76,187</u>
Profit for the period	<u>5,609,315</u>	<u>15,312,624</u>
Total comprehensive income/(expense) attributable to:		
Owners of the Company	13,919,353	9,844,539
Non-controlling interests	<u>(530,172)</u>	<u>(106,860)</u>
Total comprehensive income for the period	<u>13,389,181</u>	<u>9,737,679</u>
Basic earnings per ordinary share (sen)	<u>0.34</u>	<u>0.82</u>
Diluted earnings per ordinary share (sen)	<u>0.34</u>	<u>0.82</u>

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Condensed consolidated statement of changes in equity
for the first quarter ended 30 June 2023

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 2022	380,607,443	2,609,727	--	222,726,267	605,943,437	5,019,430	610,962,867
Foreign currency translation differences for foreign operations/ Total other comprehensive expense for the period	--	(5,391,898)	--	--	(5,391,898)	(183,047)	(5,574,945)
Profit for the period	--	--	--	15,236,437	15,236,437	76,187	15,312,624
Total comprehensive income/(expense) for the period	--	(5,391,898)	--	15,236,437	9,844,539	(106,860)	9,737,679
<i>Contributions by and distributions to owners of the Company</i>							
Share-based payment/ Total transactions with owners of the Company	--	--	2,175,444	--	2,175,444	--	2,175,444
At 30 June 2022	380,607,443	(2,782,171)	2,175,444	237,962,704	617,963,420	4,912,570	622,875,990

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Condensed consolidated statement of changes in equity
for the first quarter ended 30 June 2023 (continued)

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	Other reserve RM	Distributable Retained earnings RM			
At 1 April 2023	381,071,015	(6,633,677)	3,642,167	--	252,925,654	631,005,159	4,896,437	635,901,596
Foreign currency translation differences for foreign operations/ Total other comprehensive expense for the period	--	7,548,422	--	--	--	7,548,422	231,444	7,779,866
Profit for the period	--	--	--	--	6,370,931	6,370,931	(761,616)	5,609,315
Total comprehensive income/(expense) for the period	--	7,548,422	--	--	6,370,931	13,919,353	(530,172)	13,389,181
<i>Contributions by and distributions to owners of the Company</i>								
Acquisition of a subsidiary	--	--	--	--	--	--	13,160,393	13,160,393
Issue of shares	20,000,160	--	--	--	--	20,000,160	--	20,000,160
Share-based payment	--	--	574,568	--	--	574,568	--	574,568
Issue of shares pursuant to ESOS	852,164	--	(146,384)	--	--	705,780	--	705,780
Put option liability over shares held by non-controlling interests	--	--	--	(34,509,426)	--	(34,509,426)	--	(34,509,426)
Total transactions with owners of the Company	20,852,324	--	428,184	(34,509,426)	--	(13,228,918)	13,160,393	(68,525)
At 30 June 2023	401,923,339	914,745	4,070,351	(34,509,426)	259,296,585	631,695,594	17,526,658	649,222,252

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Condensed consolidated statement of cash flows for the first quarter ended 30 June 2023

	3 months ended	
	Unaudited 30.6.2023 RM	Unaudited 30.6.2022 RM
Cash flows from operating activities		
Profit before tax	5,868,855	14,182,944
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	8,901,180	7,297,298
- Right-of-use assets	1,236,124	395,249
- Intangible assets	76,231	59,798
Finance income	(139,620)	(210,302)
Finance costs	3,545,788	2,559,635
Equity settled share based payment	534,220	2,175,444
Impairment loss on trade receivables	55,197	73,110
(Reversal of)/Write down of obsolete and slow-moving inventories	(61,735)	17,049
Loss/(Gain) on disposal of property, plant and equipment	1,745	(184,564)
Amortisation of deferred income	(67,675)	(67,674)
(Gain)/Loss arising from changes in fair value of:		
- Dairy cows and goats	(337,721)	(226,142)
- Derivative financial instruments	(2,235,355)	1,357,554
- Other investments	(507,528)	(212,403)
Distribution income from other investments	(705,039)	(1,068,804)
Unrealised gain on foreign exchange	(153,180)	(215,743)
Gain from a bargain purchase	--	(133,570)
Operating profit before changes in working capital	16,011,487	25,798,879
Change in inventories	32,406,775	(17,160,470)
Change in trade and other receivables	(25,046,660)	(19,491,833)
Change in trade and other payables	13,481,646	(16,046,991)
Cash generated from operations	36,853,248	(26,900,415)
Interest received	139,620	210,302
Tax paid	(358,391)	(738,838)
Net cash from / (used in) operating activities	36,634,477	(27,428,951)
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(19,118,343)	(16,164,813)
- Biological assets	(3,733,847)	(4,845,308)
- Intangible assets	--	(100,355)
- Subsidiary, net of cash and cash equivalents acquired	(37,408,848)	17,071
Proceeds from disposal of:		
- Property, plant and equipment	91,577	7,212,807
- Biological assets	1,739,981	3,053,677
Net (investment)/withdrawal from other investments	(6,000,000)	24,500,000
Net cash (used in) / from investing activities	(64,429,480)	13,673,079

Condensed consolidated statement of cash flows for the first quarter ended 30 June 2023
(continued)

	3 months ended	
	Unaudited 30.6.2023 RM	Unaudited 30.6.2022 RM
Cash flows from financing activities		
Interest paid	(5,536,794)	(4,340,341)
Proceeds from shares issued	705,780	--
Drawdown of term loan	--	10,965,850
Drawdown of sukuk	100,000,000	--
Repayment of term loans	(114,575)	(407,641)
Net (payment)/ proceeds from:	--	--
- Bankers' acceptances	(19,940,905)	4,482,149
- Revolving credits	(14,760,000)	--
- Short-term financing	(484,259)	(489,205)
Repayment of hire purchase liabilities	(1,755,042)	(1,709,218)
Repayment of lease liabilities	(1,268,522)	(595,201)
Net cash from financing activities	<u>56,845,683</u>	<u>7,906,393</u>
Exchange difference on translation of the financial statements of foreign operation	2,281,356	(1,014,919)
Net increase/(decrease) in cash and cash equivalents	31,332,036	(6,864,398)
Cash and cash equivalents at 1 April	<u>22,969,591</u>	<u>28,103,066</u>
Cash and cash equivalents at 30 June	<u><u>54,301,627</u></u>	<u><u>21,238,668</u></u>

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

	3 months ended	
	Unaudited 30.6.2023 RM	Unaudited 30.6.2022 RM
Cash and cash equivalents:		
- cash and bank balances	52,985,404	21,188,542
- deposits with licensed banks	1,316,223	50,126
	<u><u>54,301,627</u></u>	<u><u>21,238,668</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 2023 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 2023.

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*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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 2023 was not subject to any qualifications.

A4. Seasonal or cyclical factors

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

A5. Unusual items

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

A6. Changes in estimates

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

A7. Debt and equity securities

The Group has issued RM100 million in nominal value of Islamic Medium Term Notes ("Sukuk Wakalah") on 27 June 2023 pursuant to an Islamic Medium Term Notes Programme of RM1.0 billion in nominal value which was established on 18 May 2021.

The Sukuk Wakalah has a tenure of five (5) years and will mature on 27 June 2028.

A8. Dividends paid

On 28 July 2023, the Board of Directors recommended a final single-tier dividend of 1.00 sen per ordinary share totaling RM 18.72 million for the financial year ended 31 March 2023 subject to the approval of the shareholders at the forthcoming Annual General Meeting. It which will be paid on 10 October 2023 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 29 September 2023. The dividend will be accounted for in equity as an appropriation of retained earnings in Quarter 2 2024.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM19.12 million during the current quarter and financial period under review.

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

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

A10. Impairment losses

Save as disclosed in Note 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 period under review.

A11. Segment information

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are in different geographies, 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 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/Cumulative quarter (3 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2023 to 30.6.2023			
Segment profit/(loss) before tax	<u>9,075</u>	<u>(3,206)</u>	<u>5,869</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	149,847	35,609	185,456
Inter-segment revenue	25,709	28,228	53,937
Depreciation and amortisation	(8,055)	(2,159)	(10,214)
Finance costs	(2,756)	(790)	(3,546)
Finance income	<u>140</u>	<u>--</u>	<u>140</u>
Unaudited			
1.4.2022 to 30.6.2022			
Segment profit/(loss) before tax	<u>15,602</u>	<u>(1,419)</u>	<u>14,183</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	131,335	12,687	144,022
Inter segment revenue	17,828	41,772	59,600
Depreciation and amortisation	(5,844)	(1,908)	(7,752)
Finance costs	(2,198)	(362)	(2,560)
Finance income	<u>52</u>	<u>158</u>	<u>210</u>

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

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

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 31 May 2023, the Company has completed the acquisition of 65% equity interest of The Inside Scoop Sdn. Bhd. ("TISSB"), for a total consideration of RM84.0 million ("Acquisition").

Following the completion of the acquisition, the Group recorded provisional goodwill of RM59.5 million arising from the fair value of the acquired net assets of TISSB. The Management in accordance with MFRS 3, Business Combination, has 12 months from the date of acquisition to complete the Purchase Price Allocation ("PPA").

Pursuant to the Acquisition, the Company has entered into a Shareholders Agreement ("SHA") with the 35% shareholder of TISSB, Edmund Tan, which entails the Company granting to Edmund Tan, the non-controlling interest, a put option to require FFB to purchase from Edmund Tan, upon the occurrence of any triggering events as specified in the SHA, the remaining shares of TISSB held by Edmund Tan ("Put Option").

The Put Option has been accounted for as a put option liability under non-current liabilities, with the corresponding amount as other non-distributable reserve.

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		Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
	Level 2 RM'000	Level 3 RM'000	Level 3 RM'000	RM'000	RM'000
30.6.2023					
Financial assets					
Interest rate swap	716	--	--	716	716
Other investments	163,003	--	--	163,003	163,003
Forward exchange contracts	541	--	--	541	541
	<u>164,260</u>	<u>--</u>	<u>--</u>	<u>164,260</u>	<u>164,260</u>
Financial liabilities					
Hire purchase liabilities	--	--	(20,349)	(20,349)	(19,576)
Term loans	--	--	(32,635)	(32,635)	(32,207)
Sukuk	--	--	(300,334)	(300,334)	(300,334)
Put option liability	--	(34,509)	--	(34,509)	(34,509)
	<u>--</u>	<u>(34,509)</u>	<u>(353,318)</u>	<u>(387,827)</u>	<u>(386,626)</u>

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

A14. Fair value information (continued)

	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
31.3.2023				
Financial assets				
Interest rate swap	685	--	685	685
Other investments	155,790	--	155,790	155,790
	<u>156,475</u>	<u>--</u>	<u>156,475</u>	<u>156,475</u>
Financial liabilities				
Forward exchange contracts	(1,695)	--	(1,695)	(1,695)
Hire purchase liabilities	--	(19,204)	(19,204)	(20,183)
Term loans	--	(30,777)	(30,777)	(30,436)
Sukuk	--	(202,487)	(202,487)	(202,487)
	<u>(1,695)</u>	<u>(252,468)</u>	<u>(254,163)</u>	<u>(254,801)</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 2023.

A16. Capital commitments

	Unaudited 30.6.2023 RM	Audited 31.3.2023 RM
Contracted but not provided for:		
Plant and equipment	19,730,919	22,242,517
Intangible assets	163,505	163,505
	<u>19,894,424</u>	<u>22,406,022</u>

A17. Significant related party transactions

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

	Cumulative quarter 3 months ended	
	Unaudited 30.6.2023 RM	Unaudited 30.6.2022 RM
A. Key management personnel		
<i>Directors</i>		
Remuneration	<u>251,579</u>	<u>551,294</u>
<i>Other key management personnel</i>		
Remuneration	<u>1,483,722</u>	<u>857,424</u>
B. Minority shareholder in a subsidiary		
Purchase of biological assets and other animal health related products	<u>--</u>	<u>923,972</u>
C. Companies connected to Directors		
Rental expenses	<u>3,000</u>	<u>3,000</u>

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

B1. Review of performance

Current quarter against corresponding quarter (Q1'24 vs Q1'23)

	Individual quarter 3 months ended		Changes %
	30.6.2023 RM	30.6.2022 RM	
Revenue	185,456,227	144,021,819	28.8
Gross profit	32,873,178	37,707,326	(12.8)
Operating profit	9,275,023	16,532,277	(43.9)
Profit before tax	5,868,855	14,182,944	(58.6)
Profit after tax	5,609,315	15,312,624	(63.4)
Profit attributable to owners of the Company	<u>6,370,931</u>	<u>15,236,437</u>	<u>(58.2)</u>

The Group's revenue increased by 28.8% or RM41.4 million as compared to the corresponding quarter in financial year 2023, mainly contributed by the increase in Australian revenue, from RM12.7 million in Q1'23 to RM35.6 million in Q1'24 underpinned by increasing external sales from Goulburn Valley Creamery Pty Ltd. Malaysian revenue increased by 14.1% or RM18.5 million driven by the higher sales from HORECA distribution channel from RM30.7 million in Q1'23 to RM47.3 million in Q1'24 and positive impact from launching of new products.

Despite the increase in revenue, the Group's gross profit was adversely affected by escalating costs of dairy raw materials. Apart from that, higher contributions from the Australian operations which recorded lower margins further dampened the Group's gross margin.

The Group's operating profit and profit before tax decreased by RM7.3 million and RM8.3 million respectively, primarily due to the decrease in gross profit as mentioned above. Apart from that, the Group incurred higher marketing spend on new product launching. Furthermore, the Group incurred higher finance cost as a result of the higher borrowings from RM298.6 million in Q1'23 to RM400.8 million in Q1'24 which includes the issuance of RM100 million of Sukuk Wakalah. In addition, the Group recorded professional fees related to the acquisition of The Inside Scoop Sdn Bhd during the current quarter.

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

B2. Comparison with immediate preceding quarter (Q1'24 vs Q4'23)

	Current quarter 30.6.2023 RM	Preceding quarter 31.3.2023 RM	Changes %
Revenue	185,456,227	161,363,863	14.9
Gross profit	32,873,178	32,760,688	0.3
Operating profit	9,275,023	7,369,440	25.9
Profit before tax	5,868,855	4,511,446	30.1
Profit after tax	5,609,315	4,487,838	25.0
Profit attributable to owners of the Company	<u>6,370,931</u>	<u>4,889,234</u>	<u>30.3</u>

The Group's revenue increased by 14.9% or RM24.1 million as compared to the preceding quarter, mainly contributed by the increase in Australian revenue, from RM22.4 million in Q4'23 to RM35.6 million in Q1'24 underpinned by increasing external sales from Goulburn Valley Creamery Pty Ltd. Malaysian revenue increased by 6.7% or RM10.9 million driven by the positive impact from higher sales from HORECA distribution channel and launching of new products.

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

The Group's operating profit and profit before tax increased substantially mainly due to the unrealized derivative gain of RM2.2 million arising from currency (AUD) forward exchange contract due to the higher quarter end closing rate as compared to the average forward contracted rate. Besides that, the Group recorded a fair value gain on valuation of biological assets of RM0.3 million in the current quarter as opposed to the fair value loss of RM1.3 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

The Group has posted both strong growth in revenues, and a higher profit during the quarter in comparison to the preceding quarter. Notwithstanding, the impact of the heightened input costs, especially dairy raw materials, continues to have an impact on the Group's financial performance.

Certain factors are pointing towards a turnaround as far as input costs are concerned. We have seen a reduction of the average Australian farmgate milk prices that the Group is paying by 3.8%. We are also continuing to see reduction of the Global Dairy Trade ("GDT") whole milk powder ("WMP") prices from the record highs recorded in early 2022 to the lowest prices since 2018. We have seen corn prices taper off as well from 10-year highs of 2022. All those developments are expected to result in the lowering of input costs beginning the second half of 2023.

Further to the launch in October 2022 of Farm Fresh Grow, the ready-to-drink ("RTD") growing-up milk based on a fortified fresh milk formula, the Group is planning to leverage on the awareness created by our marketing campaigns on the use of pure ingredients in growing-up milk by launching our growing-up milk in powder format by end-2023.

Our Taiping processing plant has commenced production in June 2023, increasing our chilled milk production capacity and reducing 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 has installed an additional UHT processing line in April 2023 with another UHT processing line installed in August 2023 to improve throughput at the Muadzam Shah facility. This will alleviate the capacity constraints that we have currently for portion packs within the ambient category. Increasing demand for both commercial and HORECA market has necessitated a second filling and packaging line for the family pack or 1-litre ambient category, expected to commence operations in September 2023.

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 half 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.

As part of our business expansion plans, we have recently acquired a controlling stake in the largest home-grown ice cream chain in Malaysia, The Inside Scoop Sdn Bhd ("TISSB"). This acquisition, which was completed on 31 May 2023, has paved 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 of 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.

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 tonnes 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 which has been rolled out at four Jaya Grocer outlets, resulting in the avoidance of usage of more than 140,000 plastic bottles up to June 2023, which is equivalent to more than 7,200 kg of plastics. 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/Cumulative quarter 3 months ended	
	Unaudited 30.6.2023 RM	Unaudited 30.6.2022 RM
Tax expense	396,575	127,000
Deferred tax income ⁽ⁱ⁾	<u>(137,035)</u>	<u>(1,256,680)</u>
	<u>259,540</u>	<u>(1,129,680)</u>

- (i) Deferred tax income is primarily arising from the business losses incurred by our Australian subsidiaries in corresponding quarter.

B6. Status of corporate proposals

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 utilization as disclosed in IPO prospectus RM'000	Variation ⁽¹⁾ RM'000	Proposed utilization as varied by 15.2.2023 RM'000	Actual utilization to 30.6.2023 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	(19,179)
- <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	(7,325)
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. Acquisition of TISSB	On the date of completion of the SSA and SPA (as defined herein)	-	63,912	63,912	(63,912)
		300,989	-	300,989	(155,038)

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 30.6.2023 RM	Audited 31.3.2023 RM
Non-current		
Secured		
Term loans	31,589,585	30,033,247
Hire purchase liabilities	12,278,769	13,284,400
	43,868,354	43,317,647
Unsecured		
Sukuk	300,000,000	200,000,000
	<u>343,868,354</u>	<u>243,317,647</u>
Current		
Unsecured		
Sukuk	333,856	2,486,795
Secured		
Term loans	617,309	403,233
Hire purchase liabilities	7,297,213	6,898,567
Bankers' acceptances	48,155,246	67,404,151
Revolving credits	--	14,760,000
Short term financing	522,116	981,523
	<u>56,591,884</u>	<u>90,447,474</u>
	<u>56,925,740</u>	<u>92,934,269</u>
	<u>400,794,094</u>	<u>336,251,916</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM29,457,600 (31.3.2023: RM28,142,800), hire purchase liabilities of RM14,977,630 (31.3.2023: RM15,632,333), bankers' acceptances of RM15,504,000 (31.3.2023: RM14,812,000) and short term financing of RM522,116 (31.3.2023: RM981,523) 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 30 June 2023, 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

On 28 July 2023, the Board of Directors recommended a final single-tier dividend of 1.00 sen per ordinary share totaling RM 19.06 million for the financial year ended 31 March 2023 subject to the approval of the shareholders at the forthcoming Annual General Meeting. It will be paid on 10 October 2023 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 29 September 2023.

B11. Earnings per share (“EPS”)

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

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2023	Unaudited 30.6.2022
Net profit attributable to the owners of the Company (RM)	6,370,931	15,236,437
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,871,920,037</u>	<u>1,857,954,837</u>
Basic EPS (sen)	<u>0.34</u>	<u>0.82</u>

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

(ii) For individual and cumulative quarter ended 30 June 2023, based on the issued share capital of 1,871,920,037 ordinary shares after the completion of initial public offering and issuance of shares for acquisition of subsidiary.

Diluted earnings per ordinary share

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

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

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2023	Unaudited 30.6.2022
Net profit attributable to the owners of the Company (RM)	6,370,931	15,236,437
Weighted average number of ordinary shares in issue ^{(i) (ii)}	1,871,920,037	1,857,954,837
Effect of share option in issue ⁽ⁱⁱⁱ⁾	1,620,677	5,765,440
Total weighted average number of ordinary shares	<u>1,873,540,714</u>	<u>1,863,720,277</u>
Diluted EPS (sen)	<u>0.34</u>	<u>0.82</u>

(iii) For individual and cumulative quarter ended 30 June 2022 and 30 June 2023, 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/Cumulative quarter 3 months ended	
	Unaudited 30.6.2023	Unaudited 30.6.2022
	RM	RM
Revenue from contracts with customers		
- At a point in time	<u>185,456,227</u>	<u>144,021,819</u>

B13. Profit before tax

	Individual/Cumulative quarter 3 months ended	
	Unaudited 30.6.2023	Unaudited 30.6.2022
	RM	RM
Profit for the period is arrived at after charging/(crediting)		
Depreciation and amortisation:		
- Property, plant and equipment	8,901,180	7,297,298
- Right-of-use assets	1,236,124	395,249
- Intangible assets	76,231	59,798
Expenses relating to short-term leases	917,394	1,065,819
Expenses relating to leases of low-value assets	186,411	9,481
Equity settled share-based payment	534,220	2,175,444
(Reversal)/Write down of obsolete and slow-moving inventories	(61,735)	17,049
Impairment loss/(Reversal of impairment loss) on:		
- Trade receivables	55,197	73,110
Loss/(Gain) on disposal of property, plant and equipment	1,745	(184,564)
(Gain)/Loss arising from changes in fair value of:		
- Derivative financial instruments	(2,235,355)	1,357,554
- Other investments	(507,528)	(212,403)
Gain from a bargain purchase	--	(133,570)
Personnel expenses (including key management personnel):		
- Contribution to state plans	1,403,802	1,027,090
- Wages, salaries and others	17,323,120	13,240,997
Rental income from subleasing of property	(416,042)	(264,067)
Amortisation of deferred income	(67,675)	(67,674)
Net foreign exchange gain	(367,085)	(706,684)
Loss/(Gain) arising from changes in fair value of dairy cows and goats:		
- Malaysian Farm	588,409	484,135
- Australian Farm	<u>(926,130)</u>	<u>(710,277)</u>