

Farm Fresh Berhad

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

Interim Financial Report
Second quarter ended 30 September 2023

Farm Fresh Berhad

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(Incorporated in Malaysia)

Condensed consolidated statement of financial position as at 30 September 2023

	Unaudited 30.09.2023 RM	Audited 31.3.2023 RM
Assets		
Property, plant and equipment	458,377,276	413,860,741
Right-of-use assets	33,006,798	19,378,412
Biological assets	118,164,219	115,193,886
Intangible assets	79,053,862	19,316,783
Trade and other receivables	786,421	1,130,046
Deferred tax assets	8,329,434	7,673,816
Total non-current assets	<u>697,718,010</u>	<u>576,553,684</u>
Inventories	135,597,821	173,674,616
Derivative financial assets	1,418,681	685,111
Trade and other receivables	162,746,717	131,421,456
Current tax assets	2,290,543	1,541,484
Cash and cash equivalents	66,201,278	22,969,591
Other investments	167,600,740	155,789,952
Total current assets	<u>535,855,780</u>	<u>486,082,210</u>
Total assets	<u>1,233,573,790</u>	<u>1,062,635,894</u>
Equity		
Share capital	401,923,339	381,071,015
Reserves	219,387,261	249,934,144
Equity attributable to owners of the Company	<u>621,310,600</u>	<u>631,005,159</u>
Non-controlling interests	<u>17,720,198</u>	<u>4,896,437</u>
Total equity	<u>639,030,798</u>	<u>635,901,596</u>
Liabilities		
Loans and borrowings	341,037,235	243,317,647
Lease liabilities	16,675,338	8,124,120
Deferred income	6,090,684	6,226,033
Deferred tax liabilities	9,527,078	7,731,483
Put option liability	35,324,711	--
Total non-current liabilities	<u>408,655,046</u>	<u>265,399,283</u>
Loans and borrowings	64,365,255	92,934,269
Derivative financial liabilities	--	1,694,958
Trade and other payables	113,865,998	64,141,913
Lease liabilities	7,385,996	2,293,178
Deferred income	270,697	270,697
Total current liabilities	<u>185,887,946</u>	<u>161,335,015</u>
Total liabilities	<u>594,542,992</u>	<u>426,734,298</u>
Total equity and liabilities	<u>1,233,573,790</u>	<u>1,062,635,894</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.33</u>	<u>0.34</u>

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023 RM	Unaudited 30.9.2022 RM	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Revenue	198,299,741	162,139,661	383,755,968	306,161,480
Cost of sales	(146,093,946)	(122,447,196)	(298,676,995)	(228,761,689)
Gross profit	52,205,795	39,692,465	85,078,973	77,399,791
Other income	1,662,610	1,981,608	6,682,648	4,978,456
Selling and distribution expenses	(16,536,416)	(14,329,387)	(30,507,409)	(26,711,197)
Administrative expenses	(17,562,978)	(8,699,497)	(31,224,752)	(16,687,644)
Other expenses	(1,150,840)	(2,615,087)	(2,136,266)	(6,417,027)
Results from operating activities	18,618,171	16,030,102	27,893,194	32,562,379
Finance income	253,850	93,882	393,470	304,184
Finance costs	(4,552,327)	(2,997,890)	(8,098,115)	(5,557,525)
Net finance costs	(4,298,477)	(2,904,008)	(7,704,645)	(5,253,341)
Profit before tax	14,319,694	13,126,094	20,188,549	27,309,038
Tax expense	(1,225,227)	(1,754,360)	(1,484,767)	(624,680)
Profit for the period	13,094,467	11,371,734	18,703,782	26,684,358
Other comprehensive (expense)/ income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation difference				
Other comprehensive (expense)/ Income for the year	(4,219,322)	(1,169,876)	3,560,544	(6,744,821)
Total comprehensive income for the period	8,875,145	10,201,858	22,264,326	19,939,537
Profit/(Loss) attributable to:				
Owners of the Company	12,789,048	11,185,599	19,159,979	26,422,036
Non-controlling interests	305,419	186,135	(456,197)	262,322
Profit for the period	13,094,467	11,371,734	18,703,782	26,684,358
Total comprehensive income/ (expense) attributable to:				
Owners of the Company	8,681,167	10,064,819	22,600,520	19,909,358
Non-controlling interests	193,978	137,039	(336,194)	30,179
Total comprehensive income for the period	8,875,145	10,201,858	22,264,326	19,939,537
Basic earnings per ordinary share (sen)	0.68	0.60	1.03	1.42
Diluted earnings per ordinary share (sen)	0.68	0.60	1.03	1.42

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Condensed consolidated statement of changes in equity for the second quarter ended 30 September 2023

	← Attributable to owners of the Company →				Total RM	Non- controlling interests RM	Total equity RM
	Share capital RM	Non-distributable Translation reserve RM	Share option reserve RM	Distributable Retained earnings RM			
Audited							
At 1 April 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 income for the period	--	(6,512,678)	--	--	(6,512,678)	(232,143)	(6,744,821)
Profit for the period	--	--	--	26,422,036	26,422,036	262,322	26,684,358
Total comprehensive income/(expense) for the period	--	(6,512,678)	--	26,422,036	19,909,358	30,179	19,939,537
<i>Contributions by and distributions to owners of the Company</i>							
Acquisition of a subsidiary	--	--	--	--	--	351,127	351,127
Dividend to owners of the Company	--	--	--	(19,880,116)	(19,880,116)	--	(19,880,116)
Share-based payment	--	--	4,353,420	--	4,353,420	--	4,353,420
Total transactions with owners of the Company	--	--	4,353,420	(19,880,116)	(15,526,696)	351,127	(15,175,569)
At 30 September 2022	380,607,443	(3,902,951)	4,353,420	229,268,187	610,326,099	5,400,736	615,726,835

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Condensed consolidated statement of changes in equity for the second quarter ended 30 September 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	--	3,440,541	--	--	--	3,440,541	120,003	3,560,544
Profit for the period	--	--	--	--	19,159,979	19,159,979	(456,197)	18,703,782
Total comprehensive income/(expense) for the period	--	3,440,541	--	--	19,159,979	22,600,520	(336,194)	22,264,326
<i>Contributions by and distributions to owners of the Company</i>								
Acquisition of a subsidiary	--	--	--	--	--	--	13,159,955	13,159,955
Dividend payable to owners of the Company	--	--	--	--	(18,719,200)	(18,719,200)	--	(18,719,200)
Issue of shares	20,000,160	--	--	--	--	20,000,160	--	20,000,160
Share-based payment	--	--	1,042,892	--	--	1,042,892	--	1,042,892
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)
Changes in put option liability	--	--	--	(815,285)	--	(815,285)	--	(815,285)
Total transactions with owners of the Company	20,852,324	--	896,508	(35,324,711)	(18,719,200)	(32,295,079)	13,159,955	(19,135,124)
At 30 September 2023	401,923,339	(3,193,136)	4,538,675	(35,324,711)	253,366,433	621,310,600	17,720,198	639,030,798

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Condensed consolidated statement of cash flows for the second quarter ended 30 September 2023

	6 months ended	
	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Cash flows from operating activities		
Profit before tax	20,188,549	27,309,038
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	18,674,681	15,089,434
- Right-of-use assets	3,553,574	768,222
- Intangible assets	140,945	118,896
Finance income	(393,470)	(304,184)
Finance costs	8,098,115	5,557,525
Equity settled share based payment	1,019,797	4,353,420
Impairment loss on:		
- Property, plant and equipment	--	1,594
- Trade receivables	130,584	140,543
(Reversal)/Write off of:		
- obsolete and slow-moving inventories	(5,761)	(89,754)
- Property, plant and equipment	50,645	--
Gain on disposal of property, plant and equipment	(585,729)	(306,800)
Gain from a bargain purchase	--	(133,570)
Amortisation of deferred income	(135,349)	(135,349)
Loss/(Gain) arising from changes in fair value of:		
- dairy cows and goats	865,464	(450,382)
- derivatives financial instruments	(2,413,734)	1,683,761
- other investments	(1,221,709)	(729,933)
Dividend income from other investments	(1,589,079)	(2,119,199)
Unrealised (gain)/loss on foreign exchange	(81,706)	430,154
Operating profit before changes in working capital	46,295,817	51,183,416
Change in inventories	39,804,216	(43,735,679)
Change in trade and other receivables	(26,511,345)	(13,423,182)
Change in trade and other payables	28,702,651	(5,987,710)
Cash generated from operations	88,291,339	(11,963,155)
Interest received	393,470	304,184
Tax paid	(1,173,330)	(1,188,835)
Net cash from/(used in) operating activities	87,511,479	(12,847,806)
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(53,133,677)	(45,980,732)
- Right-of-use assets	(2,379,595)	--
- Biological assets	(6,654,669)	(8,441,011)
- Intangible assets	--	(295,344)
- Subsidiary, net of cash and cash equivalents acquired	(37,408,848)	(3,238,422)
Net (investment in)/Withdrawal from other investments	(9,000,000)	29,500,000
Proceeds from disposal of:		
- Property, plant and equipment	2,846,077	7,631,919
- Biological assets	2,887,506	4,434,053
Net cash used in investing activities	(102,843,206)	(16,389,537)

Condensed consolidated statement of cash flows for the second quarter ended 30 September 2023
(continued)

	6 months ended	
	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Cash flows from financing activities		
Interest paid	(6,739,941)	(5,392,943)
Dividend paid	--	(19,880,116)
Proceeds from shares issued	705,780	--
Drawdown of term loan	--	10,874,150
Drawdown of sukuk	100,000,000	--
Repayment of term loans	(266,779)	(502,454)
Net (payment)/proceeds from:		
- Bankers' acceptances	(14,423,732)	27,598,684
- Revolving credits	(14,760,000)	14,760,000
- Short-term financing	(966,806)	(913,018)
Repayment of hire purchase liabilities	(3,607,839)	(3,516,887)
Capital contributed by a minority shareholder	--	351,127
Repayment of lease liabilities	(3,513,713)	(791,775)
Net cash from financing activities	<u>56,426,970</u>	<u>22,586,768</u>
Exchange difference on translation of the financial statements of foreign operation	<u>2,136,444</u>	<u>(1,307,633)</u>
Net increase/(decrease) in cash and cash equivalents	43,231,687	(7,958,208)
Cash and cash equivalents at 1 April	<u>22,969,591</u>	<u>28,103,066</u>
Cash and cash equivalents at 30 September	<u><u>66,201,278</u></u>	<u><u>20,144,858</u></u>

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

	6 months ended	
	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Cash and cash equivalents:		
- cash and bank balances	64,876,636	20,094,732
- deposits with licensed banks	<u>1,324,642</u>	<u>50,126</u>
	<u><u>66,201,278</u></u>	<u><u>20,144,858</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 Standard (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 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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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.

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

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 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

On 27 June 2023, the Company has issued RM100 million in nominal value of Islamic Medium Term Notes ("Sukuk Wakalah") 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.

On 31 May 2023, the Company has issued 13,158,000 new ordinary shares for the acquisition of The Inside Scoop Sdn Bhd ("Inside Scoop") at a price of RM1.52 per share.

A8. Dividends paid

On 28 July 2023, the Board of Directors declared a final single-tier dividend of 1.00 sen per ordinary share totaling RM18.72 million for the financial year ended 31 March 2023. It was 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 was accounted for in equity as an appropriation of retained earnings in current quarter under review.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM53.13 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 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 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 rearing of dairy cows and goats, production and marketing and sale of cow's and goat's milk and yogurt products, plant-based and other products and agrotourism.
- Australia's operation Includes rearing of dairy cows, production and marketing and sale of cow's milk, jam, sauces, butter and yogurt.

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

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

Individual quarter (3 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.7.2023 to 30.9.2023			
Segment profit/(loss) before tax	<u>15,812</u>	<u>(1,492)</u>	<u>14,320</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	172,489	25,811	198,300
Inter-segment revenue	31,447	40,375	71,822
Depreciation and amortisation	(9,930)	(2,226)	(12,156)
Finance costs	(3,754)	(798)	(4,552)
Finance income	<u>253</u>	<u>--</u>	<u>253</u>
1.7.2022 to 30.9.2022			
Segment profit/(loss)	<u>13,409</u>	<u>(283)</u>	<u>13,126</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	135,384	26,756	162,140
Inter-segment revenue	22,586	42,059	64,645
Depreciation and amortisation	(6,270)	(1,955)	(8,225)
Finance costs	(2,479)	(519)	(2,998)
Finance income	<u>73</u>	<u>21</u>	<u>94</u>

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

A11. Segment information (continued)

Cumulative quarter (6 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2023 to 30.9.2023			
Segment profit/(loss)	<u>24,887</u>	<u>(4,698)</u>	<u>20,189</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	322,336	61,420	383,756
Inter-segment revenue	57,156	68,603	125,759
Depreciation and amortisation	(17,985)	(4,384)	(22,369)
Finance costs	(6,510)	(1,588)	(8,098)
Finance income	<u>393</u>	<u>--</u>	<u>393</u>
Audited			
1.4.2022 to 30.9.2022			
Segment profit/(loss)	<u>29,011</u>	<u>(1,702)</u>	<u>27,309</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	266,719	39,442	306,161
Inter-segment revenue	40,414	83,831	124,245
Depreciation and amortisation	(12,114)	(3,863)	(15,977)
Finance costs	(4,677)	(881)	(5,558)
Finance income	<u>125</u>	<u>179</u>	<u>304</u>

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

On 4 October 2023, the Company incorporated a subsidiary, Farm Fresh Digital Sdn Bhd (FFD) with an issued and paid-up share capital of RM2. The principal activity of FFD is selling food and beverages via e-commerce.

On 17 October 2023, the Company has completed the acquisition of 70% equity interest of Sin Wah Ice Cream Sdn. Bhd., for a total consideration of RM28.4 million ("Acquisition").

A13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period under review except for those disclosed in Note A12.

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		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		
30.9.2023					
Financial assets					
Interest rate swap	623	--	--	623	623
Other investments	167,601	--	--	167,601	167,601
Forward exchange contracts	796	--	--	796	796
	<u>169,020</u>	<u>--</u>	<u>--</u>	<u>169,020</u>	<u>169,020</u>
Financial liabilities					
Hire purchase liabilities	--	--	(17,482)	(17,482)	(17,381)
Term loans	--	--	(31,627)	(31,627)	(31,369)
Sukuk	--	--	(303,331)	(303,331)	(303,331)
Put option liability	--	(35,325)	--	(35,325)	(35,325)
	<u>--</u>	<u>(35,325)</u>	<u>(352,440)</u>	<u>(387,765)</u>	<u>(387,406)</u>
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>--</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>--</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.

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

A16. Capital commitments

	Unaudited 30.9.2023 RM	Audited 31.3.2023 RM
Contracted but not provided for:		
Plant and equipment	11,193,128	22,242,517
Intangible assets	163,505	163,505
	<u>11,356,633</u>	<u>22,406,022</u>

A17. Significant related party transactions

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023 RM	Unaudited 30.9.2022 RM	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
A. Minority shareholder in a subsidiary				
Purchase of biological assets and other animal health related products	--	--	--	923,972
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
B. Companies connected to Directors				
Rental expenses	3,000	3,000	6,000	6,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

B1. Review of performance

Current quarter against corresponding quarter (Q2'24 vs Q2'23)

	Individual quarter 3 months ended		Changes %
	30.9.2023 RM	30.9.2022 RM	
Revenue	198,299,741	162,139,661	22.3
Gross profit	52,205,795	39,692,465	31.5
Operating profit	18,618,171	16,030,102	16.1
Profit before tax	14,319,694	13,126,094	9.1
Profit after tax	13,094,467	11,371,734	15.1
Profit attributable to owners of the Company	<u>12,789,048</u>	<u>11,185,599</u>	<u>14.3</u>

The Group's revenue increased by 22.3% or RM36.2 million as compared to the corresponding period, mainly attributable to the higher HORECA and commercial UHT sales, positive impact from launching of new products and revenue contribution from the recently acquired The Inside Scoop Sdn. Bhd. ("Inside Scoop").

The Group's gross profit increased by 31.5% or RM12.5 million due to increase in revenue, lower cost of dairy raw materials, impact of increase in prices for chilled RTD products in Malaysia effective mid-July 2023 and contribution from Inside Scoop.

Operating profit and profit before tax increased by RM2.6 million and RM1.2 million respectively, due to the aforementioned higher gross profit and lesser Employees' Share Option Scheme ("ESOS") expenses as compared to 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'24 vs FY'23)

	Cumulative quarter 6 months ended		Changes %
	30.9.2023 RM	30.9.2022 RM	
Revenue	383,755,968	306,161,480	25.3
Gross profit	85,078,973	77,399,791	9.9
Operating profit	27,893,194	32,562,379	(14.3)
Profit before tax	20,188,549	27,309,038	(26.1)
Profit after tax	18,703,782	26,684,358	(29.9)
Profit attributable to owners of the Company ("PATAMI")	<u>19,159,979</u>	<u>26,422,036</u>	<u>(27.5)</u>

The Group registered a stronger revenue of RM383.8 million in the current financial period, representing an increase of 25.3% or RM77.6 million. The increase was mainly attributable to the increase in Malaysian revenue by 20.8% or RM55.6 million due to the higher HORECA and commercial UHT sales, positive impact from launching of new products and revenue contribution from Inside Scoop. Australian revenue also increased by 56% or RM22.0 million driven by higher external sales from Goulburn Valley Creamery Pty Ltd.

Despite the increase in gross profit, operating profit and profit before tax declined by RM4.7 million and RM7.1 million respectively, due to higher marketing spend on new product launching, higher finance cost, fair value loss on valuation of biological assets of RM0.9 million in the current period as opposed to a fair value gain of RM0.4 million in the corresponding period and professional fees related to the acquisition of Inside Scoop during the current period.

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

B2. Comparison with immediate preceding quarter (Q2'24 vs Q1'24)

	Current quarter 30.9.2023 RM	Preceding quarter 30.6.2023 RM	Changes %
Revenue	198,299,741	185,456,227	6.9
Gross profit	52,205,795	32,873,178	58.8
Operating profit	18,618,171	9,275,023	100.7
Profit before tax	14,319,694	5,868,855	144.0
Profit after tax	13,094,467	5,609,315	133.4
Profit attributable to owners of the Company	<u>12,789,048</u>	<u>6,370,931</u>	<u>100.7</u>

The Group's revenue increased by 6.9% or RM12.8 million as compared to the preceding quarter, mainly contributed by the increase in Malaysian revenue driven by higher school milk sales and revenue contribution from Inside Scoop which was partly offset by a decrease in Australian revenue.

The Group's gross profit increased by 58.8% or RM19.3 million, and gross profit margin has improved from 17.7% to 26.3% due to the lower cost of dairy raw materials, impact of increase in prices for chilled RTD products and certain UHT products in Malaysia effective mid-July 2023, contribution from Inside Scoop and improving margins from Australian operations.

The Group's operating profit and profit before tax has both more than doubled from the immediate preceding quarter, increasing by RM9.3 million and RM8.4 million respectively, mainly due to the aforementioned increase in gross profit, which was partially offset by lower derivative gain recorded by RM1.9 million and a fair value loss on valuation of biological assets of RM1.2 million as compared to a fair value gain of RM0.3 million in the immediate 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 continued to post strong revenue growth in the current quarter. Additionally, the reduction in cost of dairy raw materials, in particular whole milk powder (“WMP”) has contributed to the Group posting an increase in profitability.

The Group is making good progress in laying the foundation for higher growth. 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 in November 2023.

As far as our manufacturing capacity is concerned, we have installed a new 1-litre family pack filling and packaging line at Muadzam Shah facility operational in November 2023, in addition to the additional UHT processing lines installed in April and August 2023, which will cater to the increasing demand for both commercial and HORECA products. 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.

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 early 2024.

In addition to the acquisition of Inside Scoop, we have recently completed the acquisition of a 70% stake in Sin Wah Ice Cream Sdn Bhd (“Sin Wah”). Other than acquiring a profitable ice cream business with its own brand of ‘ice cream potong’, this acquisition will enable the Group to immediately have access to distribution drop points and logistics capabilities to facilitate the Group’s planned launch of consumer package goods ice cream products in early 2024.

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 which has now been successfully rolled out to nine locations in Jaya Grocer and Jom Cha outlets across Kuala Lumpur and Johor Bahru. 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

Income tax expenses on continuing operations comprise the following:

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023 RM	Unaudited 30.9.2022 RM	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Tax expense	447,891	280,000	844,466	407,000
Deferred tax expense	777,336	1,474,360	640,301	217,680
	<u>1,225,227</u>	<u>1,754,360</u>	<u>1,484,767</u>	<u>624,680</u>

B6. Status of corporate proposals

There were no corporate proposals pending completion as at 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 30.9.2023 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	(19,198)
- <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	(12,139)
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	(159,871)

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.

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

B8. Loans and borrowings

	Unaudited 30.9.2023 RM	Audited 31.3.2023 RM
Non-current		
Secured		
Term loans	30,743,730	30,033,247
Hire purchase liabilities	10,293,505	13,284,400
	41,037,235	43,317,647
Unsecured		
Sukuk	300,000,000	200,000,000
	<u>341,037,235</u>	<u>243,317,647</u>
Current		
Unsecured		
Sukuk	3,331,021	2,486,795
Secured		
Term loans	625,060	403,233
Hire purchase liabilities	7,087,906	6,898,567
Bankers' acceptances	53,291,136	67,404,151
Revolving credits	--	14,760,000
Short term financing	30,132	981,523
	61,034,234	90,447,474
	<u>64,365,255</u>	<u>92,934,269</u>
	<u>405,402,490</u>	<u>336,251,916</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM28,771,700 (31.3.2023: RM28,142,800), hire purchase liabilities of RM13,240,987 (31.3.2023: RM15,632,333), bankers' acceptances of RM12,114,400 (31.3.2023: RM14,812,000) and short term financing of RM30,132 (31.3.2023: RM981,523) which 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 September 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 declared a final single-tier dividend of 1.00 sen per ordinary share totaling RM18.72 million for the financial year ended 31 March 2023. It was 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 and diluted EPS for the current financial quarter under review and financial year is computed as follows:

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023	Unaudited 30.9.2022	Unaudited 30.9.2023	Audited 30.9.2022
Net profit attributable to the owners of the Company (RM)	12,789,048	11,185,599	19,159,979	26,422,036
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,871,920,037</u>	<u>1,857,954,837</u>	<u>1,867,469,104</u>	<u>1,857,954,837</u>
Basic EPS (sen)	<u>0.68</u>	<u>0.60</u>	<u>1.03</u>	<u>1.42</u>

(i) For individual and cumulative quarter ended 30 September 2022, based on the weighted average number of ordinary shares in issue of 1,857,954,837 ordinary shares after the completion of initial public offering.

(ii) For individual and cumulative quarter ended 30 September 2023, based on the weighted average number of ordinary shares in issue of 1,871,920,037 and 1,867,469,104 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 quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023	Unaudited 30.9.2022	Unaudited 30.9.2023	Audited 30.9.2022
Net profit attributable to the owners of the Company (RM)	12,789,048	11,185,599	19,159,979	26,422,036
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,871,920,037</u>	<u>1,857,954,837</u>	<u>1,867,469,104</u>	<u>1,857,954,837</u>
Effect of share option in issue ⁽ⁱⁱⁱ⁾	--	5,675,876	--	5,675,876
Total weighted average number of ordinary shares	<u>1,871,920,037</u>	<u>1,863,630,713</u>	<u>1,867,469,104</u>	<u>1,863,630,713</u>
Diluted EPS (sen)	<u>0.68</u>	<u>0.60</u>	<u>1.03</u>	<u>1.42</u>

(iii) For individual and cumulative quarter ended 30 September 2022 and 30 September 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 quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023 RM	Unaudited 30.9.2022 RM	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Revenue from contracts with customers				
- At a point in time	<u>198,299,741</u>	<u>162,139,661</u>	<u>383,755,968</u>	<u>306,161,480</u>

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2023 RM	Unaudited 30.9.2022 RM	Unaudited 30.9.2023 RM	Audited 30.9.2022 RM
Profit for the year is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- Property, plant and equipment	9,773,501	7,792,136	18,674,681	15,089,434
- Right-of-use assets	2,317,450	372,973	3,553,574	768,222
- Intangible assets	64,714	59,098	140,945	118,896
Expenses relating to short-term leases	1,003,479	911,046	1,920,873	1,976,865
Expenses relating to leases of low-value assets	68,857	4,660	255,268	14,141
Equity settled share-based payment	485,577	2,177,976	1,019,797	4,353,420
Write off/(Reversal) of obsolete and slow-moving inventories	55,974	(106,803)	(5,761)	(89,754)
Impairment loss of trade receivables	75,387	67,433	130,584	140,543
Property, plant and equipment written off	50,645	1,594	50,645	1,594
Gain on disposal of property, plant and equipment	(587,474)	(153,884)	(585,729)	(306,800)
(Gain)/Loss arising from changes in fair value of:				
- Derivative financial instruments	(178,379)	470,607	(2,413,734)	1,828,161
- Other investments	(714,181)	(517,530)	(1,221,709)	(729,933)
Gain from a bargain purchase	--	--	--	(133,570)
Personnel expenses (including key management personnel):				
- Contribution to state plans	1,631,383	1,123,074	3,035,185	2,150,164
- Wages, salaries and others	20,148,053	14,065,398	37,471,173	27,306,395
Rental income from subleasing of property	(372,101)	(282,101)	(788,143)	(546,168)
Amortisation of deferred income	(67,674)	(67,675)	(135,349)	(135,349)
Net foreign exchange (gain)/ loss	177,492	371,873	(189,593)	(334,811)
(Gain)/Loss arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	689,973	(551,849)	1,278,382	(67,714)
- Australian Farm	<u>513,212</u>	<u>327,609</u>	<u>(412,918)</u>	<u>(382,668)</u>