

Farm Fresh Berhad

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

**Interim Financial Report
Third quarter ended 31 December 2023**

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Condensed consolidated statement of financial position as at 31 December 2023

	Unaudited 31.12.2023 RM	Audited 31.3.2023 RM
Assets		
Property, plant and equipment	478,312,136	413,860,741
Right-of-use assets	34,674,435	19,378,412
Biological assets	124,917,199	115,193,886
Intangible assets	103,740,132	19,316,783
Trade and other receivables	618,883	1,130,046
Deferred tax assets	8,093,278	7,673,816
Total non-current assets	<u>750,356,063</u>	<u>576,553,684</u>
Inventories	160,168,255	173,674,616
Derivative financial assets	1,206,470	685,111
Trade and other receivables	170,810,082	131,421,456
Current tax assets	3,427,406	1,541,484
Cash and cash equivalents	45,873,087	22,969,591
Other investments	135,842,794	155,789,952
Total current assets	<u>517,328,094</u>	<u>486,082,210</u>
Total assets	<u>1,267,684,157</u>	<u>1,062,635,894</u>
Equity		
Share capital	401,923,339	381,071,015
Reserves	245,324,013	249,934,144
Equity attributable to owners of the Company	<u>647,247,352</u>	<u>631,005,159</u>
Non-controlling interests	<u>20,205,090</u>	<u>4,896,437</u>
Total equity	<u>667,452,442</u>	<u>635,901,596</u>
Liabilities		
Loans and borrowings	340,899,371	243,317,647
Lease liabilities	17,960,598	8,124,120
Deferred income	6,023,010	6,226,033
Deferred tax liabilities	12,637,326	7,731,483
Put option liability	36,139,996	--
Total non-current liabilities	<u>413,660,301</u>	<u>265,399,283</u>
Loans and borrowings	77,792,893	92,934,269
Derivative financial liabilities	--	1,694,958
Trade and other payables	99,856,001	64,141,913
Lease liabilities	7,956,029	2,293,178
Deferred income	270,697	270,697
Current tax liabilities	695,794	--
Total current liabilities	<u>186,571,414</u>	<u>161,335,015</u>
Total liabilities	<u>600,231,715</u>	<u>426,734,298</u>
Total equity and liabilities	<u>1,267,684,157</u>	<u>1,062,635,894</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.35</u>	<u>0.34</u>

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Condensed consolidated statement of profit or loss and other comprehensive income for the third quarter ended 31 December 2023

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
Revenue	211,621,047	162,165,396	595,377,015	468,326,876
Cost of sales	(145,989,888)	(122,673,148)	(444,666,883)	(351,434,837)
Gross profit	65,631,159	39,492,248	150,710,132	116,892,039
Other income	1,364,185	3,959,308	8,046,833	8,937,764
Selling and distribution expenses	(18,849,183)	(12,130,589)	(49,356,592)	(38,841,786)
Administrative expenses	(17,886,399)	(8,459,244)	(49,111,151)	(25,146,888)
Other expenses	(1,741,878)	847,251	(3,878,144)	(5,569,776)
Results from operating activities	28,517,884	23,708,974	56,411,078	56,271,353
Finance income	340,085	80,841	733,555	385,025
Finance costs	(4,825,161)	(3,436,062)	(12,923,276)	(8,993,587)
Net finance costs	(4,485,076)	(3,355,221)	(12,189,721)	(8,608,562)
Profit before tax	24,032,808	20,353,753	44,221,357	47,662,791
Tax expense	(3,470,577)	(1,591,675)	(4,955,344)	(2,216,355)
Profit for the period	20,562,231	18,762,078	39,266,013	45,446,436
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	5,947,591	(1,585,545)	9,508,135	(8,330,366)
Total comprehensive income for the period	26,509,822	17,176,533	48,774,148	37,116,070
Profit/(Loss) attributable to:				
Owners of the Company	20,441,220	18,768,233	39,601,199	45,190,269
Non-controlling interests	121,011	(6,155)	(335,186)	256,167
Profit for the period	20,562,231	18,762,078	39,266,013	45,446,436
Total comprehensive income/ (expense) attributable to:				
Owners of the Company	26,094,767	17,240,734	48,815,290	37,150,092
Non-controlling interests	415,055	(64,201)	(41,142)	(34,022)
Total comprehensive income for the period	26,509,822	17,176,533	48,774,148	37,116,070
Basic earnings per ordinary share (sen)	1.09	1.01	2.12	2.43
Diluted earnings per ordinary share (sen)	1.09	1.01	2.12	2.43

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Condensed consolidated statement of changes in equity for the third quarter ended 31 December 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	--	(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 changes in equity for the third quarter ended 31 December 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	--	9,214,091	--	--	--	9,214,091	294,044	9,508,135
Profit for the period	--	--	--	--	39,601,199	39,601,199	(335,186)	39,266,013
Total comprehensive income/(expense) for the period	--	9,214,091	--	--	39,601,199	48,815,290	(41,142)	48,774,148
<i>Contributions by and distributions to owners of the Company</i>								
Acquisition of a subsidiary	--	--	--	--	--	--	15,349,795	15,349,795
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	--	--	1,580,159	--	--	1,580,159	--	1,580,159
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	--	--	--	(1,630,570)	--	(1,630,570)	--	(1,630,570)
Total transactions with owners of the Company	20,852,324	--	1,433,775	(36,139,996)	(18,719,200)	(32,573,097)	15,349,795	(17,223,302)
At 31 December 2023	401,923,339	2,580,414	5,075,942	(36,139,996)	273,807,653	647,247,352	20,205,090	667,452,442

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Condensed consolidated statement of cash flows for the third quarter ended 31 December 2023

	9 months ended	
	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
Cash flows from operating activities		
Profit before tax	44,221,357	47,662,791
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	29,166,381	23,364,359
- Right-of-use assets	5,769,464	1,172,893
- Intangible assets	202,067	177,092
Finance income	(733,555)	(385,025)
Finance costs	12,923,276	8,993,587
Equity settled share based payment	1,517,836	2,802,459
Impairment loss on trade receivables	578,325	205,515
(Reversal)/Write off of:		
- obsolete and slow-moving inventories	(158,883)	45,976
- Property, plant and equipment	168,744	7,728
Gain on disposal of property, plant and equipment	(632,894)	(285,180)
Gain from a bargain purchase	--	(133,570)
Amortisation of deferred income	(203,023)	(203,023)
Loss/(Gain) arising from changes in fair value of:		
- dairy cows and goats	1,411,873	(1,450,455)
- derivatives financial instruments	(2,181,910)	2,209,716
- other investments	(1,846,646)	(1,613,232)
Dividend income from other investments	(2,206,196)	(3,005,747)
Unrealised (gain)/loss on foreign exchange	(31,001)	(576,953)
Operating profit before changes in working capital	87,965,215	78,988,931
Change in inventories	16,179,300	(86,710,020)
Change in trade and other receivables	(30,309,761)	(18,179,744)
Change in trade and other payables	32,291,480	(15,586,179)
Cash generated from operations	106,126,234	(41,487,012)
Interest received	733,555	385,025
Tax paid	(2,508,675)	(1,638,832)
Net cash from/(used in) operating activities	104,351,114	(42,740,819)
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(75,872,111)	(84,140,006)
- Right-of-use assets	(2,635,872)	(1,464,745)
- Biological assets	(14,471,681)	(18,877,982)
- Intangible assets	(913,619)	(298,525)
- Subsidiary, net of cash and cash equivalents acquired	(64,045,608)	(3,238,422)
Net (investment in)/Withdrawal from other investments	24,000,000	104,000,000
Proceeds from disposal of:		
- Property, plant and equipment	3,390,441	7,984,428
- Biological assets	3,971,749	7,031,679
Net cash (used in)/from investing activities	(126,576,701)	10,996,427

Condensed consolidated statement of cash flows for the third quarter ended 31 December 2023
(continued)

	9 months ended	
	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
Cash flows from financing activities		
Interest paid	(14,188,542)	(10,616,381)
Dividend paid	(18,719,200)	(19,880,116)
Proceeds from shares issued	705,780	--
Drawdown of term loan	--	13,846,400
Drawdown of sukuk	100,000,000	--
Repayment of term loans	(421,048)	(597,805)
Net (payment)/proceeds from:		
- Bankers' acceptances	800,755	40,514,362
- Revolving credits	(14,760,000)	14,760,000
- Short-term financing	(775,523)	603,399
Repayment of hire purchase liabilities	(5,447,451)	(5,018,515)
Capital contributed by a minority shareholder	--	351,127
Repayment of lease liabilities	(5,366,749)	(1,118,656)
Net cash from financing activities	<u>41,828,022</u>	<u>32,843,815</u>
Exchange difference on translation of the financial statements of foreign operation	3,301,061	(1,804,461)
Net increase/(decrease) in cash and cash equivalents	22,903,496	(705,038)
Cash and cash equivalents at 1 April	<u>22,969,591</u>	<u>28,103,066</u>
Cash and cash equivalents at 31 December	<u><u>45,873,087</u></u>	<u><u>27,398,028</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 31.12.2023 RM	Unaudited 31.12.2022 RM
Cash and cash equivalents:		
- cash and bank balances	44,540,041	27,347,776
- deposits with licensed banks	1,333,046	50,252
	<u><u>45,873,087</u></u>	<u><u>27,398,028</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

There were no debt and equity securities issued during the financial period under review.

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.

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM75.87 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, yogurt, plant-based, ice cream 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			
1.10.2023 to 31.12.2023			
Segment profit/(loss) before tax	25,100	(1,068)	24,032
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	183,944	27,677	211,621
Inter-segment revenue	31,642	21,703	53,345
Depreciation and amortisation	(10,553)	(2,216)	(12,769)
Finance costs	(4,003)	(822)	(4,825)
Finance income	341	--	341
1.10.2022 to 31.12.2022			
Segment profit/(loss)	20,248	106	20,354
<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	71	10	81

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			
1.4.2023 to 31.12.2023			
Segment profit/(loss)	<u>49,987</u>	<u>(5,766)</u>	<u>44,221</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	506,280	89,097	595,377
Inter-segment revenue	88,798	90,306	179,104
Depreciation and amortisation	(28,538)	(6,600)	(35,138)
Finance costs	(10,513)	(2,410)	(12,923)
Finance income	734	--	734
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	196	189	385

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

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

A13. Changes in the composition of the Group

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 an acquisition of 70% equity interest of Sin Wah Ice Cream Sdn. Bhd., for a total consideration of RM28.4 million.

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	RM'000	RM'000
31.12.2023					
Financial assets					
Interest rate swap	550	--	--	550	550
Other investments	135,843	--	--	135,843	135,843
Forward exchange contracts	656	--	--	656	656
	<u>137,049</u>	<u>--</u>	<u>--</u>	<u>137,049</u>	<u>137,049</u>
Financial liabilities					
Hire purchase liabilities	--	--	(16,995)	(16,995)	(16,775)
Term loans	--	--	(32,499)	(32,499)	(32,272)
Sukuk	--	--	(300,402)	(300,402)	(300,402)
Put option liability	--	(36,140)	--	(36,140)	(36,140)
	<u>--</u>	<u>(36,140)</u>	<u>(349,896)</u>	<u>(386,036)</u>	<u>(385,589)</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 31.12.2023 RM	Audited 31.3.2023 RM
Contracted but not provided for:		
Plant and equipment	8,457,509	22,242,517
Intangible assets	351,019	163,505
	<u>8,808,528</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 9 months ended	
	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
A. Minority shareholder in a subsidiary				
Purchase of biological assets and other animal health related products	--	--	--	923,972
B. Companies connected to Directors				
Rental expenses	3,000	3,000	9,000	12,000

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

B1. Review of performance

Current quarter against corresponding quarter (Q3'24 vs Q3'23)

	Individual quarter 3 months ended		Changes %
	31.12.2023 RM	31.12.2022 RM	
Revenue	211,621,047	162,165,396	30.5
Gross profit	65,631,159	39,492,248	66.2
Operating profit	28,517,884	23,708,974	20.3
Profit before tax	24,032,808	20,353,753	18.1
Profit after tax	20,562,231	18,762,078	9.6
Profit attributable to owners of the Company	<u>20,441,220</u>	<u>18,768,233</u>	<u>8.9</u>
Reconciliation of PATAMI to Normalised PATAMI:	20,441,220	18,768,233	8.9
Less :			
Reversal of share option scheme expenses (ESOS)	--	(1,525,005)	
Normalised PATAMI	<u>20,441,220</u>	<u>17,243,228</u>	<u>18.5</u>

The Group's revenue increased by 30.5% or RM49.5 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") and Sin Wah Ice Cream Sdn Bhd ("Sin Wah").

The Group's gross profit increased by 66.2% or RM26.1 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 and Sin Wah.

Consequently, the Group's operating profit and profit before tax grew by 20.3% and 18.1% respectively, mainly driven by higher topline and partially offset by fair value loss on valuation of biological assets of RM0.5 million as opposed to RM1.0 million fair value gain in the corresponding quarter.

Apart from that, there was one-off reversal of RM1.5 million ESOS expenses in Q3'23. Excluding one-off reversal, the Group's operating profit and profit before tax grew by 28.6% and 27.6% respectively.

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 9 months ended		Changes %
	31.12.2023 RM	31.12.2022 RM	
Revenue	595,377,015	468,326,876	27.1
Gross profit	150,710,132	116,892,039	28.9
Operating profit	56,411,078	56,271,353	0.2
Profit before tax	44,221,357	47,662,791	(7.2)
Profit after tax	39,266,013	45,446,436	(13.6)
Profit attributable to owners of the Company ("PATAMI")	<u>39,601,199</u>	<u>45,190,269</u>	<u>(12.4)</u>

The Group's revenue of RM595.4 million represents a significant increase of RM127.1 million or 27.1% from the corresponding financial period. The increase was mainly attributable to the increase in Malaysian revenue by 26.9% or RM107.3 million due to the higher HORECA and commercial UHT sales, positive impact from launching of new products as well as revenue contribution from Inside Scoop and Sin Wah. Australian revenue also increased by 28.4% or RM19.7 million driven by higher external sales from Goulburn Valley Creamery Pty Ltd.

The Group's gross profit increased by 28.9% or RM33.8 million, reflecting the higher sales. The gross profit margin has increased slightly to 25.3% in the current financial period as compared to 25.0% in the corresponding financial period. The 9-month results were dampened by the Q1'24 results which was badly affected from the high dairy raw materials cost and has since seen improvements beginning from Q2'24 due to lowering of costs and impact of price increase.

Notwithstanding the higher gross profit, the Group has recorded operating profit which is just slightly higher by RM0.1 million than the comparative period due to higher administrative costs, including salary and depreciation costs with the acquisition of Inside Scoop and Sin Wah. Additionally, the Group incurred higher sales and distribution costs in line with higher sales and higher marketing spend on new product launches.

The Group's profit before tax declined by RM3.4 million due to the factors mentioned above and higher finance cost incurred from the higher amount of borrowings to fund the Group's expansion. Further the Group's Profit after tax and PATAMI has declined due to the higher taxation by Inside Scoop and Sin Wah which do not enjoy any tax incentives.

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

B2. Comparison with immediate preceding quarter (Q3'24 vs Q2'24)

	Current quarter 31.12.2023 RM	Preceding quarter 30.9.2023 RM	Changes %
Revenue	211,621,047	198,299,741	6.7
Gross profit	65,631,159	52,205,795	25.7
Operating profit	28,517,884	18,618,171	53.2
Profit before tax	24,032,808	14,319,694	67.8
Profit after tax	20,562,231	13,094,467	57.0
Profit attributable to owners of the Company	<u>20,441,220</u>	<u>12,789,048</u>	<u>59.8</u>

The Group's revenue increased by 6.7% or RM13.3 million as compared to the preceding quarter, mainly contributed by the sustained sales momentum of commercial UHT products and revenue contribution from Inside Scoop and Sin Wah.

The Group's gross profit increased by 25.7% or RM13.4 million, and gross profit margin has improved from 26.3% to 31.0% primarily due to the lower cost of dairy raw materials, increase in selling price for chilled RTD products and certain UHT products in Malaysia effective mid-July 2023, contribution from Inside Scoop and Sin Wah and improving margins from Australian operations.

The Group's operating profit and profit before tax increased by RM9.9 million or 53.2% and RM9.7 million or 67.8% respectively, underpinned by higher revenue and gross profits, notwithstanding the slightly higher distribution cost contributed by recently acquired Sin Wah and higher marketing and advertising in conjunction with the launch of growing-up milk in powder format in the current 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 a strong quarter, driven by high revenue growth and, importantly, a significant increase in profitability. We expect to continue our growth trajectory with several important developments consisting of both category expansion of our products and regional expansion.

We entered the growing-up milk powder category in December 2023 with our Farm Fresh Grow powder format. This product, made from pure dairy with rich fortification of vitamins, minerals, prebiotics and probiotics, is a continuity of our ready-to-drink (“RTD”) growing-up milk launched in October 2022. We are looking to spearhead a more ethical and responsible way of providing children with nutrition for their growth, without any unnecessary ingredients, especially excess sugar or hidden sugar.

We are also in the final stages of launching our consumer packaged goods (CPG) ice cream. After the acquisition of Inside Scoop, we have worked to plan for our own production of CPG ice cream. The ice cream production line is due to arrive by April, and we are looking to launch our CPG ice cream by June 2024. The CPG ice cream will be produced from our Taiping plant, while waiting for the Enstek plant to be completed in 2025. Additionally, with the recent Sin Wah acquisition, we will immediately have access to distribution drop points and logistics capabilities to distribute our ice cream.

Other categories we are entering this year are butter, which will be produced in the Taiping plant, focusing on both HORECA and modern trade, and cultured milk, to be produced from our Larkin plant.

Our plans to expand regionally are also taking shape in the Philippines, where we expect to have our factory operational after receiving the required licenses and registrations by May 2024. We are planning to have our chilled products, UHT products and growing up milk powder sold in the Philippines, focusing first on the Greater Manila market.

We will also continue to drive our ESG agenda in the coming year. Our biogas plant, currently undergoing testing and commissioning, once completed in March 2024 is targeted to have a reduction of 9,800 tonnes carbon dioxide (tCO₂) per annum and a targeted displacement or reduction of diesel usage of 670,000 litres per annum. Our Milk on Tap initiative, selling fresh milk sold in reusable glass bottles has been successfully expanded 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 9 months ended	
	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
Tax expense	363,778	316,000	1,208,244	723,000
Deferred tax expense	3,106,799	1,275,675	3,747,100	1,493,355
	<u>3,470,577</u>	<u>1,591,675</u>	<u>4,955,344</u>	<u>2,216,355</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 31.12.2023 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	(19,503)
- <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	(15,422)
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	(163,459)

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 31.12.2023 RM	Audited 31.3.2023 RM
Non-current		
Secured		
Term loans	31,644,575	30,033,247
Hire purchase liabilities	9,254,796	13,284,400
	40,899,371	43,317,647
Unsecured		
Sukuk	300,000,000	200,000,000
	<u>340,899,371</u>	<u>243,317,647</u>
Current		
Unsecured		
Sukuk	401,993	2,486,795
Secured		
Term loans	627,296	403,233
Hire purchase liabilities	7,519,754	6,898,567
Bankers' acceptances	69,009,456	67,404,151
Revolving credits	--	14,760,000
Short term financing	234,394	981,523
	<u>77,390,900</u>	<u>90,447,474</u>
	<u>77,792,893</u>	<u>92,934,269</u>
	<u>418,692,264</u>	<u>336,251,916</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM29,829,050 (31.3.2023: RM28,142,800), hire purchase liabilities of RM12,327,948 (31.3.2023: RM15,632,333), bankers' acceptances of RM13,501,570 (31.3.2023: RM14,812,000) and short term financing of RM234,394 (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 31 December 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 9 months ended	
	Unaudited 31.12.2023	Unaudited 31.12.2022	Unaudited 31.12.2023	Unaudited 31.12.2022
Net profit attributable to the owners of the Company (RM)	20,441,220	18,768,233	39,601,199	45,190,269
Weighted average number of ordinary shares in issue ^{(i) (ii)}	<u>1,871,920,037</u>	<u>1,857,954,837</u>	<u>1,868,952,748</u>	<u>1,857,954,837</u>
Basic EPS (sen)	<u>1.09</u>	<u>1.01</u>	<u>2.12</u>	<u>2.43</u>

- (i) For individual and cumulative quarter ended 31 December 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 31 December 2023, based on the weighted average number of ordinary shares in issue of 1,871,920,037 and 1,868,952,748 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 9 months ended	
	Unaudited 31.12.2023	Unaudited 31.12.2022	Unaudited 31.12.2023	Unaudited 31.12.2022
Net profit attributable to the owners of the Company (RM)	20,441,220	18,768,233	39,601,199	45,190,269
Weighted average number of ordinary shares in issue ^{(i) (ii)}	1,871,920,037	1,857,954,837	1,868,952,748	1,857,954,837
Effect of share option in issue ⁽ⁱⁱⁱ⁾	--	3,945,680	--	3,945,680
Total weighted average number of ordinary shares	<u>1,871,920,037</u>	<u>1,861,900,517</u>	<u>1,868,852,748</u>	<u>1,861,900,517</u>
Diluted EPS (sen)	<u>1.09</u>	<u>1.01</u>	<u>2.12</u>	<u>2.43</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 31.12.2023 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
Revenue from contracts with customers				
- At a point in time	211,621,047	162,165,396	595,377,015	468,326,876

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM	Unaudited 31.12.2023 RM	Unaudited 31.12.2022 RM
Profit for the year is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- Property, plant and equipment	10,491,700	8,274,925	29,166,381	23,364,359
- Right-of-use assets	2,215,890	404,671	5,769,464	1,172,893
- Intangible assets	61,122	58,196	202,067	177,092
Expenses relating to short-term leases	1,061,141	1,226,467	2,982,014	3,203,332
Expenses relating to leases of low-value assets	91,176	18,066	346,444	32,207
Equity settled share-based payment	498,039	(1,550,961)	1,517,836	2,802,459
Write off/(Reversal) of obsolete and slow-moving inventories	(153,122)	135,730	(158,883)	45,976
Impairment loss of trade receivables	447,741	64,972	578,325	205,515
Property, plant and equipment written off	118,099	6,134	168,744	7,728
(Gain)/Loss on disposal of property, plant and equipment	(47,165)	21,620	(632,894)	(285,180)
Gain from a bargain purchase	--	--	--	(133,570)
(Gain)/Loss arising from changes in fair value of:				
- Derivative financial instruments	231,824	381,555	(2,181,910)	2,209,716
- Other investments	(624,937)	(883,299)	(1,846,646)	(1,613,232)
Dividend income from other investments	(617,117)	(886,548)	(2,206,196)	(3,005,747)
Personnel expenses (including key management personnel):				
- Contribution to state plans	1,804,230	1,068,581	4,839,415	3,218,745
- Wages, salaries and others	21,275,632	13,360,753	58,746,805	40,667,148
Rental income from subleasing of property	(499,390)	(341,986)	(1,287,533)	(888,154)
Amortisation of deferred income	(67,674)	(67,674)	(203,023)	(203,023)
Net foreign exchange (gain)/ loss	53,392	(663,086)	(136,201)	(997,897)
(Gain)/Loss arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	553,212	(224,221)	1,831,594	(291,935)
- Australian Farm	(6,803)	(775,852)	(419,721)	(1,158,520)