

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

Interim Financial Report
Third quarter ended 31 December 2021

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

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**Condensed consolidated statement of financial position
as at 31 December 2021**

	Unaudited 31.12.2021 RM	Audited 31.3.2021 RM
Assets		
Property, plant and equipment	324,092,319	307,068,897
Right-of-use assets	15,225,339	15,819,769
Biological assets	88,895,029	69,459,099
Intangible assets	19,336,103	19,894,919
Trade and other receivables	834,671	1,077,338
Deferred tax assets	10,080,255	3,352,750
Total non-current assets	458,463,716	416,672,772
Inventories	106,610,545	105,034,639
Trade and other receivables	84,960,642	88,796,172
Current tax assets	2,976	31,070
Cash and cash equivalents	29,400,676	11,723,637
Total current assets	220,974,839	205,585,518
Total assets	679,438,555	622,258,290
Equity		
Share capital	87,779,796	87,779,796
Reserves	202,070,049	146,863,517
Equity attributable to owners of the Company	289,849,845	234,643,313
Non-controlling interests	5,205,749	6,386,645
Total equity	295,055,594	241,029,958
Liabilities		
Loans and borrowings	232,768,310	101,014,756
Lease liabilities	5,974,415	6,159,799
Deferred income	6,564,404	6,768,263
Deferred tax liabilities	9,507,597	5,801,597
Total non-current liabilities	254,814,726	119,744,415
Loans and borrowings	50,001,176	140,927,921
Trade and other payables	76,889,848	83,078,535
Lease liabilities	1,056,096	854,653
Deferred income	270,697	269,861
Current tax liabilities	1,350,418	36,352,947
Total current liabilities	129,568,235	261,483,917
Total liabilities	384,382,961	381,228,332
Total equity and liabilities	679,438,555	622,258,290
Net assets per share attributable to owners of the Company (RM)	0.18	0.14

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Condensed consolidated statement of profit or loss and other comprehensive income for the third quarter ended 31 December 2021

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
Revenue	116,667,013	128,569,137	373,853,536	362,992,431
Cost of sales	(82,447,842)	(90,014,827)	(274,178,734)	(257,356,141)
Gross profit	34,219,171	38,554,310	99,674,802	105,636,290
Other income	264,227	995,173	11,929,051	4,408,717
Selling and distribution expenses	(8,049,027)	(9,483,921)	(22,778,908)	(28,222,667)
Administrative expenses	(9,474,988)	(5,363,854)	(25,193,660)	(15,657,705)
Other expenses	(155,737)	(5,171,786)	(6,366,102)	(5,211,541)
Results from operating activities	16,803,646	19,529,922	57,265,183	60,953,094
Finance income	513,863	36,795	908,954	178,395
Finance costs	(2,945,589)	(3,272,400)	(8,595,696)	(7,322,450)
Net finance costs	(2,431,726)	(3,235,605)	(7,686,742)	(7,144,055)
Profit before tax	14,371,920	16,294,317	49,578,441	53,809,039
Tax (expense)/credit				
- Current tax and deferred tax	(2,605,722)	(2,213,526)	1,183,011	(5,389,549)
- Additional tax for prior years	--	--	--	(25,708,582)
- Reversal of over-provision for tax	--	--	10,490,033	--
Total tax (expense)/credit	(2,605,722)	(2,213,526)	11,673,044	(31,098,131)
Profit for the period	11,766,198	14,080,791	61,251,485	22,710,908
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	447,324	2,936,619	(7,225,849)	8,512,318
Total comprehensive income for the period	12,213,522	17,017,410	54,025,636	31,223,226
Profit/(Loss) attributable to:				
Owners of the Company	11,460,265	15,103,557	62,202,925	24,487,705
Non-controlling interests	305,933	(1,022,766)	(951,440)	(1,776,797)
Profit for the period	11,766,198	14,080,791	61,251,485	22,710,908
Total comprehensive income/ (expense) attributable to:				
Owners of the Company	11,907,935	17,694,237	55,206,532	32,166,859
Non-controlling interests	305,587	(676,827)	(1,180,896)	(943,633)
Total comprehensive income for the period	12,213,522	17,017,410	54,025,636	31,223,226
Basic earnings per ordinary share (sen)	0.70	0.92	3.80	1.50
Diluted earnings per ordinary share (sen)	0.70	0.87	3.80	1.50

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Condensed consolidated statement of changes in equity
for the third quarter ended 31 December 2021

Unaudited	← Attributable to owners of the Company →				Non-controlling interests RM	Total equity RM
	Non-distributable Share capital RM	Translation reserve RM	Distributable Retained earnings RM	Total RM		
At 1 April 2020	87,779,796	(5,101,207)	106,611,297	189,289,886	8,475,424	197,765,310
Foreign currency translation differences for foreign operations/ Total other comprehensive income for the period	--	7,679,154	--	7,679,154	833,164	8,512,318
Profit/(Loss) for the period	--	--	24,487,705	24,487,705	(1,776,797)	22,710,908
Total comprehensive income/(expense) for the period	--	7,679,154	24,487,705	32,166,859	(943,633)	31,223,226
<i>Contributions by and distributions to owners of the Company</i>						
Capital contribution by non-controlling interests/ Total transactions with owners of the Company	--	--	--	--	374,934	374,934
At 31 December 2020	87,779,796	2,577,947	131,099,002	221,456,745	7,906,725	229,363,470
At 1 April 2021	87,779,796	4,024,142	142,839,375	234,643,313	6,386,645	241,029,958
Foreign currency translation differences for foreign operations/ Total other comprehensive expense for the period	--	(6,996,393)	--	(6,996,393)	(229,456)	(7,225,849)
Profit/(Loss) for the period	--	--	62,202,925	62,202,925	(951,440)	61,251,485
Total comprehensive (expense)/income for the period	--	(6,996,393)	62,202,925	55,206,532	(1,180,896)	54,025,636
At 31 December 2021	87,779,796	(2,972,251)	205,042,300	289,849,845	5,205,749	295,055,594

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Condensed consolidated statement of cash flows for the third quarter ended 31 December 2021

	9 months ended	
	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
Cash flows from operating activities		
Profit before tax	49,578,441	53,809,039
Adjustments for:		
Depreciation and amortisation:		
- Property, plant and equipment	20,059,664	13,819,097
- Right-of-use assets	1,188,448	869,045
- Intangible assets	176,169	145,243
Finance income	(908,954)	(178,395)
Finance costs	8,595,696	7,322,450
Impairment loss/(Reversal of impairment loss) on:		
- Property, plant and equipment	79,397	4,141,669
- Trade receivables	(86,863)	--
Write down of obsolete and slow-moving inventories	853,429	--
Gain on disposal of property, plant and equipment	(36,635)	(6,423)
Amortisation of deferred income	(203,023)	(198,802)
Gain arising from changes in fair value of dairy cows and goats	(9,868,490)	(263,576)
Provision for redundancy costs	4,897,843	--
Operating profit before changes in working capital	74,325,122	79,459,347
Change in deferred income	--	451,681
Change in inventories	(1,835,175)	(33,229,156)
Change in trade and other receivables	4,165,060	(17,250,701)
Change in trade and other payables	(11,086,530)	37,749,615
Cash generated from operations	65,568,477	67,180,786
Interest received	908,954	178,395
Tax paid	(26,638,058)	(17,346)
Net cash from operating activities	39,839,373	67,341,835
Cash flows from investing activities		
Acquisition of:		
- Property, plant and equipment	(42,114,686)	(89,327,010)
- Right-of-use assets	(110,164)	--
- Biological assets	(17,462,377)	(9,490,316)
- Intangible assets	(352,813)	(3,175,013)
Proceeds from disposal of:		
- Property, plant and equipment	445,502	980,926
- Biological assets	6,545,088	4,905,895
Net cash used in investing activities	(53,049,450)	(96,105,518)

Condensed consolidated statement of cash flows for the period ended 31 December 2021
(continued)

	9 months ended	
	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
Cash flows from financing activities		
Interest paid	(7,885,706)	(5,031,939)
Drawdown of term loan	--	31,900,426
Drawdown of sukuk	200,000,000	--
Repayment of term loans	(49,216,944)	(9,893,965)
Net (payment)/ proceeds from:		
- Bankers' acceptances	(20,392,004)	15,838,241
- Revolving credits	(4,074,000)	--
- Short-term financing	372,296	183,503
Repayment of hire purchase liabilities	(35,625,673)	(7,203,103)
Capital contributed by a minority shareholder	--	374,934
Repayment of lease liabilities	(549,551)	(150,629)
Repayment of loan from a shareholder	(34,012,603)	--
Net cash from financing activities	<u>48,615,815</u>	<u>26,017,468</u>
Exchange difference on translation of the financial statements of foreign operation	<u>(3,456,363)</u>	<u>(1,096,469)</u>
Net increase/(decrease) in cash and cash equivalents	31,949,375	(3,842,684)
Cash and cash equivalents at 1 April	<u>(2,548,699)</u>	<u>(476,584)</u>
Cash and cash equivalents at 31 December	<u><u>29,400,676</u></u>	<u><u>(4,319,268)</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 31.12.2021 RM	Unaudited 31.12.2020 RM
Cash and cash equivalents:		
- cash and bank balances	29,350,550	7,934,247
- deposits with licensed banks	50,126	--
	<u>29,400,676</u>	<u>7,934,247</u>
Less: Bank overdraft	<u>--</u>	<u>(12,253,515)</u>
	<u><u>29,400,676</u></u>	<u><u>(4,319,268)</u></u>

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Part A: Explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134 and International Accounting Standards (“IAS”) 34 Interim Financial Reporting

A1. Basis of preparation

This condensed consolidated interim financial report is unaudited and has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), Malaysia Financial Reporting Standards (MFRS) 134: *Interim Financial Reporting* and International Accounting Standards (IAS) 34: *Interim Financial Reporting*.

This condensed consolidated interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of the Company dated 11 February 2022 and the accompanying notes attached to the interim financial report.

A2. Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2021, except for the adoption of the following new accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board (“MASB”):

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

A2. Significant accounting policies (continued)

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 2021 was not subject to any qualifications.

A4. Seasonal or cyclical factors

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

A5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group for the 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 December 2021, the Company undertook a bonus issue of 1,550,000,138 new ordinary shares to the shareholders. The bonus issue was implemented without capitalising the retained earnings or reserves and such new ordinary shares were issued at nil consideration.

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

A8. Dividends paid

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

A9. Property, plant and equipment

The Group acquired property, plant and equipment amounting to RM42.1 million during the financial period under review.

There were no material disposals of property, plant and equipment during the 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 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 offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Managing Director and Group Chief Executive Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Malaysia's operation Includes production and marketing and sale of cow's and goat's milk, yogurt, and plant-based soya, oat and other related products.
- Australia's operation Includes rearing of dairy cows, production and marketing and sale of cow's milk, jam and sauces.

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

Segmental information is presented in respect of the Group's business segments as follows:

Individual quarter (3 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.10.2021 to 31.12.2021			
Segment profit/(loss)	<u>11,623</u>	<u>2,749</u>	<u>14,372</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	107,244	9,423	116,667
Inter segment revenue	15,166	48,727	63,893
Depreciation and amortisation	5,752	1,737	7,489
Impairment loss on property, plant and equipment	--	(1)	(1)
Redundancy costs	--	(32)	(32)
Finance costs	(2,129)	(817)	(2,946)
Finance income	<u>153</u>	<u>361</u>	<u>514</u>
1.10.2020 to 31.12.2020			
Segment profit/(loss)	<u>25,470</u>	<u>(9,176)</u>	<u>16,294</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	116,857	11,712	128,569
Inter segment revenue	10,629	9,023	19,652
Depreciation and amortisation	4,976	1,267	6,243
Impairment loss on property, plant and equipment	--	(4,142)	(4,142)
Finance costs	(1,924)	(1,348)	(3,272)
Finance income	<u>37</u>	<u>--</u>	<u>37</u>

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

A11. Segment information (continued)

Cumulative quarter (9 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Total RM'000
Unaudited			
1.4.2021 to 31.12.2021			
Segment profit/(loss)	<u>58,546</u>	<u>(8,968)</u>	<u>49,578</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	334,894	38,960	373,854
Inter segment revenue	41,613	110,994	152,607
Depreciation and amortisation	(16,162)	(5,262)	(21,424)
Impairment loss on property, plant and equipment	--	(79)	(79)
Redundancy costs	--	(4,898)	(4,898)
Finance costs	(6,492)	(2,104)	(8,596)
Finance income	<u>909</u>	<u>--</u>	<u>909</u>
1.4.2020 to 31.12.2020			
Segment profit/(loss)	<u>66,303</u>	<u>(12,494)</u>	<u>53,809</u>
<i>Included in the measure of segment profit are:</i>			
Revenue from external customers	325,099	37,893	362,992
Inter segment revenue	30,538	9,023	39,561
Depreciation and amortisation	(12,848)	(1,985)	(14,833)
Impairment loss on property, plant and equipment	--	(4,142)	(4,142)
Finance costs	(5,142)	(2,180)	(7,322)
Finance income	<u>178</u>	<u>--</u>	<u>178</u>

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

On 27 January 2022, the Company incorporated a wholly-owned subsidiary, Farm Fresh Milk (HK) Limited in Hong Kong.

On 8 February 2022, the Group has entered into an agreement to acquire a farm property at McEwan Road in Kyabram, Victoria, Australia with a size of approximately 300 acres for a purchase consideration of AUD3.5 million. The completion of the acquisition of the farm property is subject to the approval from Australia's Foreign Investment Review Board.

The Company launched its Prospectus on 28 February 2022 in connection with its proposed Initial Public Offering on the Main Market of Bursa Malaysia Securities Berhad.

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.

A14. Contingent liabilities

There were no material changes in contingent liabilities arising since the last audited consolidated financial statements for the financial year ended 31 March 2021.

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

A15. Capital commitments

	Unaudited 31.12.2021 RM	Audited 31.3.2021 RM
Contracted but not provided for:		
Plant and equipment	509,597	1,046,153
Intangible assets	142,336	274,021
	<u>651,933</u>	<u>1,320,174</u>

A16. Significant related party transactions

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

	Cumulative quarter 9 months ended Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
A. Key management personnel		
<i>Directors</i>		
Remuneration	<u>1,485,214</u>	<u>1,756,834</u>
<i>Other key management personnel</i>		
Remuneration	<u>1,995,846</u>	<u>131,193</u>
B. Minority shareholder in a subsidiary		
Purchase of biological assets and other animal health related products	<u>9,179,602</u>	<u>5,334,192</u>
C. Person connected to Directors		
Purchase of motor vehicles	<u>15,000</u>	<u>--</u>
D. Companies connected to Directors		
Sales of trading goods	--	999,818
Service fees	--	232,000
Rental expenses	<u>12,000</u>	<u>--</u>
E. Shareholder		
Interest accrual	551,507	2,198,904
Logistics services from an associate of a shareholder	104,024	588,102
Rental expenses payable to a subsidiary of a shareholder	--	57,817
Purchase of raw material from a subsidiary of a shareholder	<u>60,000</u>	<u>345,000</u>

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

B1. Review of performance

Current quarter against corresponding quarter (Q3'22 vs Q3'21)

	Individual quarter 3 months ended		Changes %
	31.12.2021 RM	31.12.2020 RM	
Revenue	116,667,013	128,569,137	(9.3)
Operating profit	16,803,646	19,529,922	(14.0)
Profit before tax	14,371,920	16,294,317	(11.8)
Profit after tax	11,766,198	14,080,791	(16.4)
Profit attributable to owners of the Company	<u>11,460,265</u>	<u>15,103,557</u>	<u>(24.1)</u>

The Group's revenue decreased by 9.3% to RM116.7 million as compared to the corresponding period in 2020. This decrease was mainly attributable to the overall impact of the prolonged Covid-19 pandemic which resulted in dampened economic activity, consumer confidence and levels of household income in Malaysia, and the ceasing of raw milk sales by our Australia farm to third parties since end-September 2021. Since then, upon completion of our Kyabram facility in October 2020, the milk produced by our Australian farm has been supplied internally for our production of dairy products and onward sales, consequently reducing the raw milk required to be purchased externally.

The Group's operating profit and profit before tax declined by 14.0% and 11.8%, attributable to the lower revenues, as well as higher animal feed cost and freight cost during the current quarter as compared to the corresponding quarter in 2020. The decrease was also contributed by listing expenses relating to our IPO exercise and operating losses from our Australian subsidiary, Henry Jones Foods Pty Ltd's IXL fruit jam business, which has been downsized during the current financial year.

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

	Cumulative quarter 9 months ended		Changes %
	31.12.2021 RM	31.12.2020 RM	
Revenue	373,853,536	362,992,431	3.0
Operating profit	57,265,183	60,953,094	(6.1)
Profit before tax	49,578,441	53,809,039	(7.9)
Profit after tax	61,251,485	22,710,908	169.7
Profit attributable to owners of the Company ("PATAMI")	<u>62,202,925</u>	<u>24,487,705</u>	<u>154.0</u>
Reconciliation of PATAMI to Normalised PATAMI: Add/(Less) :	62,202,925	24,487,705	154.0
Reallocation of additional tax for prior years	--	25,708,582	
Reallocation of tax reversal	(10,490,033)	8,231,517	
Gross losses from IXL fruit jam business	3,728,247	4,164,343	
Impairment loss on property, plant and equipment	63,518	3,313,336	
Redundancy costs - IXL fruit jam business	3,918,274	--	
IPO expenses	3,938,472	--	
Sukuk expenses	164,868	--	
Claw back of / (government grant income)	497,981	(1,844,378)	
Normalised PATAMI – Note 1	<u>64,024,252</u>	<u>64,061,105</u>	<u>(0.1)</u>

Note 1 – Normalised PATAMI is calculated as profit for the financial period attributable to owners of the Company plus (i) allocation of additional tax for prior years and reversal of tax over-provision (refer Note B5 for more details); (ii) gross losses from the IXL fruit jam business of the Australian subsidiary,

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

B1. Review of performance (continued)

Henry Jones Food Pty Ltd (“HJF”); (iii) impairment loss on property, plant and equipment for certain plant machinery and equipment for the manufacture of HJF IXL fruit jam and sauces; (iv) redundancy costs as part of a rationalization plan to downsize HJF IXL fruit jam operations; (v) corporate exercise expenses in relation to our IPO exercise; (vi) professional fees in connection with the establishment of the Sukuk Wakalah Programme (vii) reversal of a one-off government grant received in FQE 31 December 2020 due to us not meeting certain conditions in FQE 31 December 2021.

Despite the impact of the prolonged Covid-19 pandemic, the Group’s revenue increased by 3.0% from RM363.0 million in the financial period ended 31 December 2020 to RM373.9 million in the financial period ended 31 December 2021, driven by an increase in the RTD milk category market share from 15% in December 2020 to 18% in September 2021 (Source: Frost & Sullivan). This increase in revenue of 3.0% is attributable to higher recruitment of new customers, higher sales of our RTD milk products and launching of new products.

Despite the sales increase, the Group’s operating profit declined by 6.1% or RM3.7 million, to RM57.3 million in the financial period ended 31 December 2021, and Group’s profit before tax declined by 7.9% or RM4.2 million, to RM49.6 million, mainly due to overall increase in our input costs such as raw materials, direct labour and overheads and animal feed and herd health cost, as well as the gross losses and redundancy cost incurred by our Australia’s IXL fruit jam operations during the period, and higher corporate professional fees incurred in connection with our IPO exercise.

B2. Comparison with immediate preceding quarter (Q3’22 vs Q2’22)

	Current quarter 31.12.2021 RM	Preceding quarter 30.9.2021 RM	Changes %
Revenue	116,667,013	122,403,117	(4.7)
Gross profit	34,219,171	30,146,168	13.5
Operating profit	16,803,646	20,817,002	(19.3)
Profit before tax	14,371,920	18,739,472	(23.3)
Profit after tax	11,766,198	33,018,238	(64.4)
Profit attributable to owners of the Company	<u>11,460,265</u>	<u>33,126,403</u>	<u>(65.4)</u>

The Group’s revenue decreased by 4.7% or RM 5.7 million, to RM116.7 million as compared to the preceding quarter, mainly attributable to the ceasing of raw milk sales by our Australia farm to third parties since end-September 2021. (see explanation in Section B1)

The Group’s gross profit has increased by 13.5% or RM4.1 million, to RM34.2 million due to margin improvement from price increase of our chilled RTD milk products and ambient RTD products by an average of 5% which were implemented in September and December 2021. Resulting from the price increases, our Group’s gross profit margin has increased to 29% in the current quarter from 25% in the preceding quarter.

The Group’s operating profit declined by 19.3% to RM16.8 million as compared to the preceding quarter, mainly due to the fair value gain of our dairy cows of RM10.2 million, contributed by the increase in prices of dairy cows in Australia, partially offset by a one-off redundancy cost amounting to RM4.9 million in the preceding quarter. Excluding the fair value adjustment and redundancy cost in Q2’22, operating profit margin grew by 10.8%, mainly attributable to the aforementioned gross margin improvement.

The decrease in the Group’s profit after tax is due to the reversal in the preceding quarter of a tax provision amount of RM10,490,033 for YA 2021 previously recorded for in the financial year ended 31 March 2021. Refer note B5 for more details.

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

B3. Prospects for the Group

2022 Prospects

Despite the challenging environment posed by the Covid-19 pandemic, inflationary pressures from higher input prices, and most recently the uncertainties caused by the Russian military invasion of Ukraine, the Group remains confident it is poised to register long term growth in its sales, market share and profitability within the fast-growing dairy segments it competes in. The various strategic plans that the Group is putting in place, including the impending launch of the growing up milk based on a fortified fresh milk formula, which will compete with both powder-based kids' milk and RTD reconstituted milk-based products, will enable us to further drive growth with our culture of innovation and commitment for producing healthy products for our growing children.

Full completion of our Taiping farm and processing plant this year will also further improve our upstream and mid-stream capacity and reduce logistics costs to supply chilled milk products to the northern states of Peninsular Malaysia, and in combination with the additional filling and packaging line at Muadzam Shah Facility in second quarter of 2022 and our processing facility at UPM Farm, the Group expects to increase to increase annual production capacity by 29.8 million litres by 2022.

The Group also intends to kickstart its regional expansion with its planned entry into Indonesia, Philippines and Hong Kong. In the shorter term, our immediate focus is on the Singapore market, as the completion of the Taiping processing plant will free up some capacity at our Larkin processing plant, enabling us to focus on our exports in Singapore which has already grown strongly over the last 3 years.

On 7 March 2022, pursuant to a competitive tender done by Ministry of Education, the Group was awarded three contracts under the School Milk Program (Program Susu Sekolah) to provide at minimum 42 million packs of milk to 3,546 schools in the Northern, Eastern and Southern regions of Peninsular Malaysia, respectively, during the period from March 2022 to February 2023. This will enable the Group to continue leveraging its home dealer network to supply milk under the School Milk Program, while also increasing sales to school canteens and Parent-Teachers' Associations, driving sales growth from our home dealer network.

B4. Profit forecast

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

B5. Tax expense/(credit)

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

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
Tax expense	1,310,470	4,499,077	2,169,656	8,322,017
Deferred tax expense/(income)	1,295,252	(2,285,551)	(3,352,667)	(2,932,468)
Additional tax for prior years ⁽ⁱ⁾	--	--	--	25,708,582
Reversal of over-provision for tax ⁽ⁱ⁾	--	--	(10,490,033)	--
	<u>2,605,722</u>	<u>2,213,526</u>	<u>(11,673,044)</u>	<u>31,098,131</u>

- (i) A subsidiary has been granted Agricultural Tax Incentive for the rearing of goats/cows and milk processing projects. While the subsidiary filed its prior years taxes on the basis that it enjoyed full tax incentive on its operation, certain milk processing plants of the subsidiary had not been notified to the Ministry of Agriculture and Food Industries Malaysia and consequently not added as approved locations on a timely basis. In the preparation of the audited financial statements for the year ended 31 March 2021, based on the resolution with the Inland Revenue Board ("IRB"), an additional tax payable and

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

B5. Tax expense/(credit) (continued)

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

Further, the Ministry of Finance ("MOF") has approved the application for inclusion of the additional locations, starting from YA 2022 onwards. Hence, tax was also provided in respect of these locations for YA 2021 in the audited financial statements for the year ended 31 March 2021.

Upon a subsequent application to the MOF, the subsidiary has received approval that the additional locations are approved for a new Tax Incentive under Section 127 (3A) of Income Tax Act, 1967. Under the incentive, the subsidiary is allowed to claim income tax exemption on its statutory income arising from qualifying projects conducted in the additional locations for 10 (5+5) years commencing from YA 2021.

Accordingly, the tax payable amount of RM10,490,033 for YA 2021 previously recorded for in the financial year ended 31 March 2021 is reversed in the financial period ended 31 December 2021.

B6. Status of corporate proposals

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

Initial Public Offering ("IPO")

(a) Public Issue

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

(b) Offer for Sale

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

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

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

B7. Utilisation of proceeds from the Public Issue

We expect to use the gross proceeds from our Public Issue amounting to RM301.0 million in the following manner:

Details of use of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM'000	% of total gross proceeds from the Public Issue
1. Capital expenditure of our Group			
- Establishment of a new manufacturing hub, a new dairy farm and integrated processing facility in Malaysia	Within 24 months	140,000	46.5
- Expansion of our production facility in Australia	Within 18 months	60,000	19.9
- Regional expansion outside of Malaysia	Within 24 months	40,000	13.3
2. Working capital	Within 12 months	40,789	13.6
3. Estimated listing expenses	Within 3 months	20,200	6.7
		<u>300,989</u>	<u>100.0</u>

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company. As at the date of this interim financial report, the IPO is pending completion, hence there are no utilisation of proceeds by the Group yet.

B8. Loans and borrowings

	Unaudited 31.12.2021 RM	Audited 31.3.2021 RM
Non-current		
Secured		
Term loans	16,878,676	59,604,938
Hire purchase liabilities	15,889,634	41,409,818
	32,768,310	101,014,756
Unsecured		
Sukuk	200,000,000	--
	<u>232,768,310</u>	<u>101,014,756</u>
Current		
Unsecured		
Loan from a shareholder	--	34,012,603
Sukuk	652,274	--
	652,274	34,012,603
Secured		
Term loans	1,641,959	9,062,916
Bank overdrafts	--	14,272,336
Hire purchase liabilities	5,052,457	16,240,753
Bankers' acceptances	41,252,354	62,179,558
Revolving credits	--	4,074,000
Short term financing	1,402,132	1,085,755
	<u>49,348,902</u>	<u>106,915,318</u>
	<u>50,001,176</u>	<u>140,927,921</u>
	<u>282,769,486</u>	<u>241,942,677</u>

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

B9. Material litigations

On 31 March 2021, the Group has filed a legal action in Australia against Shepparton Partners Collective Group for various misrepresentations to The Holsten Milk Company (Australia) Pty Ltd during the course of due diligence of a business acquisition.

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

B10. Dividends

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

B11. Earnings per share ("EPS")

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

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2021	Unaudited 31.12.2020	Unaudited 31.12.2021	Unaudited 31.12.2020
Net profit attributable to the owners of the Company (RM)	11,460,265	15,103,557	62,202,925	24,487,705
Weighted average number of ordinary shares in issue ⁽ⁱ⁾	<u>1,635,000,137</u>	<u>1,635,000,137</u>	<u>1,635,000,137</u>	<u>1,635,000,137</u>
Basic EPS (sen)	<u>0.70</u>	<u>0.92</u>	<u>3.80</u>	<u>1.50</u>
Diluted net profit attributable to the owners of the Company (RM) ⁽ⁱⁱ⁾	11,460,265	15,103,557	62,202,925	26,158,872
Weighted average number of ordinary shares in issue (diluted) ⁽ⁱⁱⁱ⁾	<u>1,635,000,137</u>	<u>1,728,195,145</u>	<u>1,635,000,137</u>	<u>1,728,195,145</u>
Diluted EPS (sen)	<u>0.70</u>	<u>0.87</u>	<u>3.80</u>	<u>1.50</u>

(i) Based on the issued share capital of 1,635,000,137 ordinary shares after the completion of the bonus issue as mentioned in Note A7.

(ii) The diluted net profit attributable to owners of the Company for the nine months ended 31 December 2020 included interest expense on compound instruments, net of tax, which amounted to RM1,671,167, arising from a loan from a shareholder with attached conversion rights to ordinary shares; this was fully settled during the interim period ended 30 September 2021.

(iii) Based on the issued share capital mentioned in (i) and 93,195,008 ordinary shares arising from the effect of conversion right.

B12. Revenue

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
Revenue from contracts with customers				
- At a point in time	<u>116,667,013</u>	<u>128,569,137</u>	<u>373,853,536</u>	<u>362,992,431</u>

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

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM	Unaudited 31.12.2021 RM	Unaudited 31.12.2020 RM
Profit for the period is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- Property, plant and equipment	7,016,613	5,803,685	20,059,664	13,819,097
- Right-of-use assets	414,052	295,902	1,188,448	869,045
- Intangible assets	57,842	143,183	176,169	145,243
Expenses relating to short-term leases	1,091,642	935,419	3,705,823	1,589,818
Expenses relating to leases of low-value assets	11,960	3,567	22,646	18,331
Write down of obsolete and slow-moving inventories	131,772	--	853,429	--
Impairment loss/(Reversal of impairment loss) on:				
- Property, plant and equipment	(732)	4,141,669	79,397	4,141,669
- Trade receivables	(14,581)	--	(86,863)	--
Gain on disposal of property, plant and equipment	(33,465)	(8,070)	(36,635)	(6,423)
Personnel expenses (including key management personnel):				
- Contribution to state plans	927,213	786,657	2,930,324	2,110,630
- Wages, salaries and others	12,606,211	8,687,614	36,590,316	22,128,282
Rental income from subleasing of property	(424,446)	(277,252)	(1,252,032)	(682,062)
Rental concession income	(49,488)	(128,400)	(159,281)	(128,400)
Redundancy costs	(32,033)	--	4,897,843	--
Government grant income	--	(778,687)	--	(2,305,472)
Amortisation of deferred income	(67,674)	(67,675)	(203,023)	(198,802)
Net foreign exchange loss	73,475	128,217	34,536	52,718
(Gain)/Loss arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	1,664,218	169,222	(6,564,853)	(169,222)
- Australian Farm	<u>(1,308,818)</u>	<u>633,126</u>	<u>(3,303,637)</u>	<u>432,798</u>

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