

Farm Fresh Berhad

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

Interim Financial Report
Second quarter ended 30 September 2024

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Condensed consolidated statement of financial position as at 30 September 2024

	Unaudited 30.9.2024 RM'000	Audited 31.3.2024 RM'000
Assets		
Property, plant and equipment	510,770	494,633
Right-of-use assets	34,041	33,124
Biological assets	135,076	133,284
Intangible assets	111,863	112,826
Trade and other receivables	481	563
Deferred tax assets	8,703	8,926
Total non-current assets	800,934	783,356
Inventories	174,465	156,299
Trade and other receivables	180,212	176,433
Current tax assets	4,438	4,509
Derivative financial assets	2,129	893
Cash and cash equivalents	96,845	58,167
Other investments	98,626	99,944
Total current assets	556,715	496,245
Total assets	1,357,649	1,279,601
Equity		
Share capital	401,832	399,555
Reserves	275,764	266,858
Equity attributable to owners of the Company	677,596	666,413
Non-controlling interests	28,369	26,558
Total equity	705,965	692,971
Liabilities		
Deferred tax liabilities	20,357	19,161
Deferred income	5,820	5,955
Loans and borrowings	332,082	338,365
Lease liabilities	18,102	16,742
Put option liability	38,663	36,955
Total non-current liabilities	415,024	417,178
Current tax liabilities	383	648
Deferred income	271	271
Derivative financial liabilities	6,201	--
Loans and borrowings	77,976	67,648
Lease liabilities	7,944	8,010
Trade and other payables	143,885	92,875
Total current liabilities	236,660	169,452
Total liabilities	651,684	586,630
Total equity and liabilities	1,357,649	1,279,601
Net assets per share attributable to owners of the Company (RM)	0.36	0.36

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Condensed consolidated statement of profit or loss and other comprehensive income for the second quarter ended 30 September 2024

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Revenue	249,163	198,300	490,862	383,756
Cost of sales	(165,335)	(146,094)	(334,088)	(298,677)
Gross profit	83,828	52,206	156,774	85,079
Other income	2,040	2,866	4,847	7,548
Selling and distribution expenses	(23,216)	(16,537)	(44,534)	(30,508)
Administrative expenses	(21,921)	(17,563)	(42,150)	(31,225)
Other expenses	(4,415)	(1,151)	(5,571)	(2,136)
Fair value (loss)/gain on biological assets	(2,741)	(1,203)	(3,291)	(865)
Results from operating activities	33,575	18,618	66,075	27,893
Finance income	251	254	523	394
Finance costs	(4,515)	(4,552)	(8,943)	(8,098)
Net finance costs	(4,264)	(4,298)	(8,420)	(7,704)
Profit before tax	29,311	14,320	57,655	20,189
Tax expense	(2,339)	(1,225)	(4,172)	(1,485)
Profit after tax	26,972	13,095	53,483	18,704
Other comprehensive (expense)/income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation difference	(16,503)	(4,220)	(15,193)	3,560
Cash flow hedge	(4,689)	--	(4,689)	--
Other comprehensive (expense)/income for the period	(21,192)	(4,220)	(19,882)	3,560
Total comprehensive income for the period	5,780	8,875	33,601	22,264
Profit/(Loss) attributable to:				
Owners of the Company	26,183	12,789	52,178	19,160
Non-controlling interests	789	306	1,305	(456)
Profit for the period	26,972	13,095	53,483	18,704
Total comprehensive income/(expense) attributable to:				
Owners of the Company	5,352	8,682	32,588	22,601
Non-controlling interests	428	193	1,013	(337)
Total comprehensive income for the period	5,780	8,875	33,601	22,264
Basic earnings per ordinary share (sen)	1.40	0.68	2.79	1.03
Diluted earnings per ordinary share (sen)	1.40	0.68	2.78	1.03

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**Condensed consolidated statement of changes in equity
for the second quarter ended 30 September 2024**

Unaudited	Attributable to owners of the Company					Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Translation reserve RM'000	Employee share-based reserve RM'000	Put option reserve RM'000	Retained earnings RM'000		
At 1 April 2023	381,071	(6,634)	3,642	--	252,926	4,897	635,902
Foreign currency translation differences for foreign operations/ Total other comprehensive expense for the period	--	3,441	--	--	--	119	3,560
Profit/(Loss) for the period	--	--	--	--	19,160	(456)	18,704
Total comprehensive income/(expense) for the period	--	3,441	--	--	19,160	(337)	22,264
<i>Contributions by and distributions to owners of the Company</i>							
Acquisition of a subsidiary	--	--	--	--	--	13,160	13,160
Dividend payable to owners of the Company	--	--	--	--	(18,719)	--	(18,719)
Issue of shares	20,000	--	--	--	--	--	20,000
Issue of shares pursuant to ESOS	852	--	(146)	--	--	--	706
Share-based payment	--	--	1,043	--	--	--	1,043
Put option liability over shares held by non-controlling interests	--	--	--	(34,510)	--	--	(34,510)
Changes in put option liability	--	--	--	(815)	--	--	(815)
Total transactions with owners of the Company	20,852	--	897	(35,325)	(18,719)	13,160	(19,135)
At 30 September 2023	401,923	(3,193)	4,539	(35,325)	253,367	17,720	639,031

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**Condensed consolidated statement of changes in equity
for the second quarter ended 30 September 2024 (continued)**

	← Attributable to owners of the Company →								
	Non-distributable		Distributable						
	Share capital RM'000	Translation reserve RM'000	Hedging reserve RM'000	Employee share-based reserve RM'000	Put option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2024	399,555	186	--	5,615	(36,955)	298,012	666,413	26,558	692,971
Foreign currency translation differences for foreign operations	--	(14,901)	--	--	--	--	(14,901)	(292)	(15,193)
Cash flow hedge	--	--	(4,689)	--	--	--	(4,689)	--	(4,689)
Total other comprehensive income for the period	--	(14,901)	(4,689)	--	--	--	(19,590)	(292)	(19,882)
Profit for the period	--	--	--	--	--	52,178	52,178	1,305	53,483
Total comprehensive income/(expense) for the period	--	(14,901)	(4,689)	--	--	52,178	32,588	1,013	33,601
Contributions by and distributions to owners of the Company									
Capital contribution by non-controlling interest	--	--	--	--	--	--	--	500	500
Dividend payable to owners of the Company	--	--	--	--	--	(22,480)	(22,480)	--	(22,480)
Issue of shares pursuant to ESOS	2,277	--	--	(391)	--	--	1,886	--	1,886
Share-based payment	--	--	--	862	--	--	862	--	862
Changes in put option liability	--	--	--	--	(1,708)	--	(1,708)	--	(1,708)
Change in ownership interests in a subsidiary	--	--	--	--	--	35	35	298	333
Total transactions with owners of the Company	2,277	--	--	471	(1,708)	(22,445)	(21,405)	798	(20,607)
At 30 September 2024	401,832	(14,715)	(4,689)	6,086	(38,663)	327,745	677,596	28,369	705,965

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Condensed consolidated statement of cash flows for the second quarter ended 30 September 2024

	6 months ended	
	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Cash flows from operating activities		
Profit before tax	57,655	20,189
Adjustments for:		
Depreciation and amortisation:		
- property, plant and equipment	22,749	18,675
- right-of-use assets	4,799	3,553
- intangible assets	135	141
Finance income	(523)	(394)
Finance costs	8,943	8,098
Equity settled share based payment	953	1,020
Impairment loss on trade receivables	768	131
(Reversal)/Write off of:		
- property, plant and equipment	108	51
- obsolete and slow-moving inventories	71	(6)
Loss/(Gain) on disposal of property, plant and equipment	232	(586)
Gain on derecognition of lease	(27)	--
Amortisation of deferred income	(135)	(135)
Net fair value loss/(gain) on:		
- Biological assets	3,291	865
- Derivative financial instruments	(1,184)	(2,414)
- Other investments	(1,387)	(1,222)
Distribution income from other investments	(795)	(1,589)
Unrealised loss/(gain) on foreign exchange	1,634	(81)
Operating profit before changes in working capital	97,287	46,296
Change in inventories	(17,619)	39,804
Change in trade and other receivables	(4,464)	(26,511)
Change in trade and other payables	26,793	28,702
Cash generated from operations	101,997	88,291
Interest received	523	394
Tax paid	(2,030)	(1,173)
Net cash from operating activities	100,490	87,512
Cash flows from investing activities		
Acquisition of:		
- property, plant and equipment	(53,068)	(53,134)
- biological assets	(9,248)	(6,655)
- right-of-use assets	--	(2,379)
- intangible assets	(280)	--
- subsidiary, net of cash and cash equivalents acquired	--	(37,409)
Net withdrawal from/(investment in) other investments	3,500	(9,000)
Proceeds from disposal of:		
- property, plant and equipment	1,688	2,846
- biological assets	2,405	2,888
Net cash used in investing activities	(55,003)	(102,843)

Condensed consolidated statement of cash flows for the fourth quarter ended 31 March 2024
(continued)

	6 months ended	
	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Cash flows from financing activities		
Interest paid	(8,234)	(6,740)
Proceeds from shares issued	1,886	706
Drawdown of sukuk	--	100,000
Repayment of term loans	(315)	(267)
Net (payment)/proceeds from:		
- bankers' acceptances	12,553	(14,424)
- revolving credits	--	(14,760)
- short-term financing	(962)	(966)
Repayment of hire purchase liabilities	(3,721)	(3,608)
Repayment of lease liabilities	(4,931)	(3,514)
Capital contributed by a minority shareholder	833	--
Net cash (used in)/from financing activities	(2,891)	56,427
Exchange difference on translation of the financial statements of foreign operation	(3,918)	2,135
Net increase in cash and cash equivalents	38,678	43,231
Cash and cash equivalents at 1 April	58,167	22,970
Cash and cash equivalents at 30 September	96,845	66,201

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 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Cash and cash equivalents:		
- cash and bank balances	95,488	64,877
- deposits with licensed banks	1,357	1,324
	96,845	66,201

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

A1. Basis of preparation

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

This condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2024 and the accompanying notes attached to the interim financial report.

Derivatives and hedging activities

During the quarter, the Group adopted hedge accounting in accordance with MFRS 9: Finance Instruments.

The Group has exposure to variability in cash flows that is attribute to purchases that are primarily denominated in U.S. Dollars (“USD”) and Australian Dollars (“AUD”) against the functional currency of the Group.

Upon the adoption of hedge accounting, the effective portion of changes in fair value of the forward foreign contract designated as a cashflow hedge instrument at inception will be recognised in other comprehensive income until the hedging instrument’s maturity or settlement.

Prior to the adoption of hedge accounting, forward foreign exchange contracts are classified as fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss.

A2. Material 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 2024.

The following are accounting standards, interpretations and amendments of the MFRS Accounting Standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

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

A2. Material accounting policies (continued)

MFRS Accounting Standards, 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*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures- Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements — Volume 11:
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
 - Amendments to MFRS 7, *Financial Instruments: Disclosures*
 - Amendments to MFRS 9, *Financial Instruments*
 - Amendments to MFRS 10, *Consolidated Financial Statements*
 - Amendments to MFRS 107, *Statement of Cash Flows*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*

The following MFRS Accounting Standards, interpretations and amendments will become effective for annual periods beginning on or after a date yet to be determined:

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

The Group plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group upon its first adoption.

A3. Auditors' report

The audited consolidated financial statements for the financial year ended 31 March 2024 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.

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

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 25 July 2024, the Board of Directors declared a final single-tier dividend of 1.20 sen per ordinary share totaling RM22.5 million for the financial year ended 31 March 2024. It was paid on 10 October 2024 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 30 September 2024. 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 RM53.1 million during the financial period under review.

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

A11. Segment information

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units are in different geographies, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group Managing Director and Group Chief Executive Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Malaysia's operation Includes 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.

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

A11. Segment information (continued)

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	Intra-group Adjustments RM'000	Total RM'000
1.7.2024 to 30.9.2024				
External revenue	223,790	25,373	--	249,163
Inter-segment revenue	45,616	46,359	(91,975)	--
Segment profit before tax	<u>29,403</u>	<u>1,168</u>	<u>(1,260)</u>	<u>29,311</u>
1.7.2023 to 30.9.2023				
External revenue	172,489	25,811	--	198,300
Inter-segment revenue	31,447	40,375	(71,822)	--
Segment profit before tax	<u>15,994</u>	<u>(1,483)</u>	<u>(191)</u>	<u>14,320</u>
Cumulative quarter (6 months)	Malaysia's Operation RM'000	Australia's Operation RM'000	Intra-group Adjustments RM'000	Total RM'000
1.4.2024 to 30.9.2024				
External revenue	427,301	63,561	--	490,862
Inter-segment revenue	81,089	70,587	(151,676)	--
Segment profit before tax	<u>58,371</u>	<u>310</u>	<u>(1,026)</u>	<u>57,655</u>
1.4.2023 to 30.9.2023				
External revenue	322,336	61,420	--	383,756
Inter-segment revenue	57,156	68,603	(125,759)	--
Segment profit before tax	<u>25,495</u>	<u>(4,430)</u>	<u>(876)</u>	<u>20,189</u>

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

The Company, had on 6 November 2024 completed the incorporation of PT. Farm Fresh Nusantara in Indonesia.

A13. Changes in the composition of the Group

The Company, had on 6 September 2024 completed the incorporation of Farm Fresh Distribution Incorporated in the Philippines.

The incorporation above did not have material impact to the Group during the financial period under review.

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

A14. Fair value information

The following table analyses financial instruments carried at fair value by valuation method. The different levels in a fair value hierarchy based on the input used in the valuation technique have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

	Fair value of financial instruments carried at fair value		Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
	Level 2	Level 3	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000
30.9.2024					
Financial assets					
Derivatives at fair value through profit or loss					
- Commodity future contracts	1,868	--	--	1,868	1,868
- Interest rate swap	261	--	--	261	261
Other investments	98,626	--	--	98,626	98,626
	100,755	--	--	100,755	100,755
Financial liabilities					
Derivatives at fair value through profit or loss					
- Forward exchange contracts	(32)	--	--	(32)	(32)
Derivatives designated as cash flow hedge					
- Forward exchange contracts	(6,169)	--	--	(6,169)	(6,169)
Hire purchase liabilities	--	--	(10,602)	(10,602)	(10,442)
Term loans	--	--	(29,400)	(29,400)	(29,278)
Sukuk	--	--	(303,422)	(303,422)	(303,422)
Put option liability	--	(38,663)	--	(38,663)	(38,663)
	(6,201)	(38,663)	(343,424)	(388,288)	(388,006)
31.3.2024					
Financial assets					
Commodity future contracts	426	--	--	426	426
Forward exchange contracts	7	--	--	7	7
Interest rate swap	460	--	--	460	460
Other investments	99,944	--	--	99,944	99,944
	100,837	--	--	100,837	100,837
Financial liabilities					
Hire purchase liabilities	--	--	(14,916)	(14,916)	(14,706)
Term loans	--	--	(31,734)	(31,734)	(31,553)
Sukuk	--	--	(303,366)	(303,366)	(303,366)
Put option liability	--	(36,955)	--	(36,955)	(36,955)
	--	(36,955)	(350,016)	(386,971)	(386,580)

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

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 2024.

A16. Capital commitments

	Unaudited 30.9.2024 RM'000	Audited 31.3.2024 RM'000
Contracted but not provided for:		
Plant and equipment	7,136	7,044
Intangible assets	331	288
	<u>7,467</u>	<u>7,332</u>

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

B1. Review of performance

Current quarter against corresponding quarter (Q2'25 vs Q2'24)

	Individual quarter 3 months ended		Changes %
	30.9.2024 RM'000	30.9.2023 RM'000	
Revenue	249,163	198,300	25.6
Gross profit	83,828	52,206	60.6
Operating profit	33,575	18,618	80.3
Profit before tax	29,311	14,320	104.7
Profit after tax	26,972	13,095	106.0
Profit attributable to owners of the Company ("PATAMI")	<u>26,183</u>	<u>12,789</u>	<u>104.7</u>

The Group's revenue increased by 25.6% or RM50.9 million as compared to the corresponding period, mainly attributable to the full quarter revenue contribution from Sin Wah, higher HORECA (hotels, restaurants and cafes) and commercial UHT sales, coupled with positive impact from launching of new products i.e. Farm Fresh Grow, Farm Fresh Choco Malt and consumer-packaged goods (CPG) ice cream.

The Group's gross profit increased by 60.6% or RM31.6 million while the gross profit margin surged from 26.3% to 33.6% which in line with higher topline, mainly driven by significantly lower cost of dairy raw materials, coupled with contribution from Inside Scoop and Sin Wah and further boosted by improving margins from Australian operations following the reduction in season farmgate prices by about 11% beginning July 2024.

Consequently, both operating profit and profit before tax increased by RM15.0 million mainly due to the aforementioned increase in gross margin, which was partially offset by higher fair value losses on biological assets of RM2.7 million (as compared to the fair value loss on biological assets of RM1.2 million in the corresponding quarter) and unrealized foreign exchange loss of RM1.7 million (as compared to unrealized loss of RM0.1 mil in the corresponding quarter) due to unfavourable forex translation on bank balances denominated in foreign currency, particularly USD.

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'25 vs FY'24)

	Cumulative quarter 6 months ended		Changes %
	30.9.2024 RM'000	30.9.2023 RM'000	
Revenue	490,862	383,756	27.9
Gross profit	156,774	85,079	84.3
Operating profit	66,075	27,893	136.9
Profit before tax	57,655	20,189	185.6
Profit after tax	53,483	18,704	185.9
Profit attributable to owners of the Company ("PATAMI")	52,178	19,160	172.3

The Group's revenue increased by 27.9% or RM107.1 million as compared to the corresponding financial period, mainly attributable to the increase in Malaysian revenue by 32.6% or RM105.0 million underpinned by positive sales contribution from launching of new products i.e. Farm Fresh Grow, Farm Fresh Choco Malt and CPG ice cream, coupled with higher HORECA and commercial UHT sales. Australian revenue also increased by 3.5% or RM2.1 million mainly driven by higher external sales from Goulburn Valley Creamery Pty Ltd.

The Group's posted a gross profit of RM156.8 million, up 84.3% from the same period last year, while gross profit margin improved from 22.2% to 31.9% in the current financial period. The increase in profitability was mainly driven by reduction in input costs of dairy raw materials and further boosted by contributions from Inside Scoop and Sin Wah, as well as improving margins from Australian operations following the reduction in season farmgate prices by about 11% beginning July 2024.

Consequently, the Group's operating profit and profit before tax grew by more than twofold to RM66.1 million and RM57.7 million respectively, mainly driven by higher revenues and bolstered by decreased costs.

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

B2. Comparison with immediate preceding quarter (Q2'25 vs Q1'25)

	Current quarter 30.9.2024 RM'000	Preceding quarter 30.6.2024 RM'000	Changes %
Revenue	249,163	241,699	3.1
Gross profit	83,828	72,946	14.9
Operating profit	33,575	32,500	3.3
Profit before tax	29,311	28,344	3.4
Profit after tax	26,972	26,511	1.7
Profit attributable to owners of the Company ("PATAMI")	<u>26,183</u>	<u>25,995</u>	<u>0.7</u>

The Group's revenue increased by 3.1% or RM7.5 million as compared to the preceding quarter, mainly attributable to the increase in Malaysian revenue by 10.0% or RM20.3 million driven by sales contribution from new products i.e. Farm Fresh Choco Malt and CPG ice cream which partially offset by the decline in Australian revenue by 33.6% or RM12.8 million due to lower external sales from Goulburn Valley Creamery Pty Ltd.

The Group's gross profit increased by 14.9% or RM10.9 million as compared to the preceding period while the gross profit margin has improved from 30.2% to 33.6%, mainly attributable to the realized gain on whole milk powder futures as well as improving margins from Australian operations following the reduction in season farmgate prices by about 11% beginning July 2024.

Consequently, the Group's operating profit and profit before tax increased by RM1.1 million and RM1.0 million respectively mainly due to the aforementioned increase in gross margin, which was partially offset by higher fair value loss on valuation of biological assets of RM2.7 million (as compared to the fair value loss on biological assets of RM0.6 million in the preceding quarter) and also unrealized foreign exchange loss of RM1.7 million (unrealized gain of RM0.1 million in the preceding quarter) due to unfavourable foreign exchange translation on bank balances denominated in foreign currency, particularly USD.

If the profit after tax is normalized for the after-tax impact of the increase in fair value loss on biological assets and unrealized foreign exchange translation loss, the profit after tax would have improved to RM30.3 million.

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 its trajectory of strong results posted in the previous few quarters by recording higher revenue and profitability in the current quarter. We expect to continue our growth trajectory with several positive developments consisting of both category expansion of our products and regional expansion.

In July 2024, we have launched our choco malt product in powder format, aiming to get a significant market share in the chocolate malt beverage market in Malaysia with a total market size of more than RM 1 billion. On top of the 800g pack launched in July, we have now introduced a 35g sachet format, as well as the 1kg and 2kg formats for modern trade / mini market and food services channel respectively.

We have also launched our consumer-packaged goods (CPG) ice cream in August 2024 to great reception from consumers resulting in demand far outstripping supply. We are in the process of adding more capacity for ice cream production at our Taiping plant, while waiting for the Enstek plant to be completed in the second half of 2025.

Other categories we are entering this year are full cream milk powder which will be produced at the Muadzam Shah plant, 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.

We are also in the process of expanding our Muadzam Shah farm with the additional 500 acres of land leased from the Pahang State Government with expected commencement of operations in mid-2025. This expansion will double our total capacity in Muadzam Shah to 6,000 dairy cows.

Our plans to expand regionally are also taking shape in the Philippines, where we have commenced our factory operations in end-September 2024. We are planning to have our chilled products, UHT products and milk powder products sold in the Philippines, focusing first on the Greater Manila market.

As for Australia, with the reduction of farmgate milk prices by about 11% and incremental volume of exports to the Middle East market, we expect our Australian results to continue to improve over the next few quarters. Our subsidiary, St David Dairy has also recently won the Australia National Gold medal award for butter, the same butter we have started to produce since October 2024 in a larger scale for exports with our investment in premium cultured butter capacity at our Fitzroy, Melbourne site.

We will also continue to drive our ESG agenda in the coming year. Our biogas plant has been completed and commissioned in April 2024, and once fully operational, is targeted to have a reduction of 9,800 tonnes carbon dioxide equivalent (tCO₂e) 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 eleven locations in Jaya Grocer and Jom Cha outlets across Peninsular Malaysia.

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 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Tax expense	940	448	1,836	845
Deferred tax expense	1,399	777	2,336	640
	<u>2,339</u>	<u>1,225</u>	<u>4,172</u>	<u>1,485</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	Initial proposed utilization ⁽¹⁾	Revised proposed utilization	Actual utilization to 30.9.2024	Balance to be utilised
		RM'000	RM'000	RM'000	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	131,237	132,455 ⁽²⁾	(24,437)	108,018
- <i>Regional expansion outside of Malaysia</i>	Within 24 months	40,000	40,000	(31,672)	8,328
- <i>Expansion of our production facility in Australia</i>	Within 18 months	4,851	4,851	(4,851)	--
2. Working capital	Within 12 months	40,789	40,789	(40,789)	--
3. Estimated listing expenses	Within 3 months	20,200	18,982	(18,982) ⁽²⁾	--
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	(184,643)	116,346

(1) The initial utilization of the proceeds as disclosed above should be read in conjunction with the Announcement made on 15 February 2023.

(2) The actual listing expenses incurred of RM18.98 million is lower than the estimated amount of RM20.20 million, therefore the excess amount of RM1.22 million will be used for establishment of a new manufacturing hub, a new dairy farm and integrated processing facility in Malaysia.

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

B8. Loans and borrowings

	Unaudited 30.9.2024 RM'000	Audited 31.3.2024 RM'000
Non-current		
Unsecured		
Sukuk	300,000	300,000
Secured		
Hire purchase liabilities	3,463	7,452
Term loans	28,619	30,913
	<u>332,082</u>	<u>338,365</u>
Current		
Unsecured		
Sukuk	3,422	3,366
Secured		
Hire purchase liabilities	6,979	7,254
Short term financing	407	1,405
Term loans	659	640
Bankers' acceptances	66,509	54,983
	<u>77,976</u>	<u>67,648</u>
	<u>410,058</u>	<u>406,013</u>

The loans and borrowings of the Group are denominated in MYR, except for term loans of RM27.29 million (31.3.2024: RM29.25 million), hire purchase liabilities of RM7.34 million (31.3.2024: RM10.71 million), bankers' acceptances of RM14.36 million (31.3.2024: RM14.47 million) and short term financing of RM0.41 million (31.3.2024: RM1.40 million) 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 2024, 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. Proposed Dividends

The Board of Directors has declared an interim dividend of 1.0 sen per ordinary share amounting to RM18.7 million in respect of the financial year ended 31 March 2025, which will be payable on 27 December 2024 to shareholders whose names appeared in the Record of Depositors of the Company at the close of business on 13 December 2024.

B11. Earnings per share ("EPS")

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

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2024	Unaudited 30.9.2023	Unaudited 30.9.2024	Unaudited 30.9.2023
Net profit attributable to the owners of the Company (RM'000)	26,183	12,789	52,178	19,160
Weighted average number of ordinary shares in issue	1,872,803,782	1,871,920,037	1,872,803,782	1,867,469,104
Basic EPS (sen)	<u>1.40</u>	<u>0.68</u>	<u>2.79</u>	<u>1.03</u>

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 30.9.2024	Unaudited 30.9.2023	Unaudited 30.9.2024	Unaudited 30.9.2023
Net profit attributable to the owners of the Company (RM'000)	26,183	12,789	52,178	19,160
Weighted average number of ordinary shares in issue	1,872,803,782	1,871,920,037	1,872,803,782	1,867,469,104
Effect of share option in issue	3,846,650	--	3,014,563	--
Total weighted average number of ordinary shares	<u>1,876,650,432</u>	<u>1,871,920,037</u>	<u>1,875,818,345</u>	<u>1,867,469,104</u>
Diluted EPS (sen)	<u>1.40</u>	<u>0.68</u>	<u>2.78</u>	<u>1.03</u>

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on the quoted market prices for the period during which the options are outstanding

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 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Revenue from contracts with customers				
- At a point in time	249,043	198,110	490,597	383,527
- Over time	120	190	265	229
	<u>249,163</u>	<u>198,300</u>	<u>490,862</u>	<u>383,756</u>

B13. Profit before tax

	Individual quarter 3 months ended		Cumulative quarter 6 months ended	
	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000	Unaudited 30.9.2024 RM'000	Unaudited 30.9.2023 RM'000
Profit for the period is arrived at after charging/(crediting)				
Depreciation and amortisation:				
- property, plant and equipment	11,629	9,774	22,749	18,675
- right-of-use assets	2,455	2,317	4,799	3,553
- intangible assets	68	64	135	141
Equity settled share-based payment	710	486	953	1,020
Impairment loss of trade receivables	382	76	768	131
Write off/(reversal of written off) of:				
- property, plant and equipment	62	51	108	51
- obsolete and slow-moving inventories	41	56	71	(6)
Loss/(Gain) on disposal of property, plant and equipment	176	(588)	232	(586)
Amortisation of deferred income	(67)	(67)	(135)	(135)
Net loss/(gain) arising from changes in fair value of dairy cows and goats:				
- Malaysian Farm	2,377	690	2,687	1,278
- Australian Farm	364	513	604	(413)
Net fair value loss/(gain) on:				
- Derivative financial instruments	(42)	(254)	(1,184)	(2,414)
- Other investments	(822)	(714)	(1,387)	(1,222)
Distribution income from other investments	(370)	(884)	(795)	(1,589)
Realised gain on derivative financial instruments	(2,001)	--	(2,001)	--
Realised loss/(gain) on foreign exchange	756	106	879	(109)
Unrealised loss/(gain) on foreign exchange	1,690	71	1,634	(81)
Personnel expenses (including key management personnel):				
- Contribution to state plans	1,958	1,631	3,778	3,035
- Wages, salaries and others	26,767	20,148	51,601	37,471
Rental income from subleasing of property	(203)	(462)	(529)	(788)
Expenses relating to short-term leases	1,562	1,003	2,964	1,921
Expenses relating to leases of low-value assets	97	69	248	255