



FRESH FROM US TO YOU

FARM FRESH BERHAD

Co. Reg. No.: 201001010221 (894851-U)



ANNUAL
REPORT
2022



COVER RATIONALE

Farm Fresh is a true blue Malaysian success story. From humble beginnings, we have grown to be a household name and Malaysia's leading dairy brand.

The success of our company is a reflection of our hard work and passion. We take great care to produce only the finest in quality. From wholesome diets for our cows to safe processes in our farms, we ensure only the best for your consumption. This includes our best-selling dairy-based Ready To Drink ("RTD") chilled, ambient and yoghurt products as well as plant-based products such as soy, almond and oat milk.

Our products are available nationwide and we also have our own e-commerce platform, Fresh Farm Mart, with over 900 home dealers and regional stockists in our network.

We hope to continue to grow and bring fresh natural goodness to all for a healthier and happier nation of dairy lovers.



This Integrated Report is available at
<https://www.farmfresh.com.my/investor-relations/>

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ABOUT THIS REPORT

2022 is our first year as a public listed company. It also marks the publishing of our inaugural Integrated Annual Report (“<IR>”).

We have chosen this format as it allows us to illustrate the holistic and cohesive way that strategies are formed and executed within Farm Fresh Berhad (otherwise referred to as “the Group” or “the Company”), thoroughly considering the needs of our stakeholders, our risks and opportunities, and the overarching drivers which we have identified as core to our growth.

We present this report in the hope that it will elucidate clearer understanding and trust in how we will leverage our strategies to create value over the short, medium and long term.

Reporting Framework

The disclosures in this report are guided by:

- ◆ The International <IR> Framework January 2021 issued by Value Reporting Foundation
- ◆ Bursa Malaysia Main Market Listing Requirements
- ◆ Bursa Malaysia Corporate Governance Guide (4th edition)
- ◆ Malaysian Code on Corporate Governance 2021 issued by Securities Commission Malaysia
- ◆ Malaysian Companies Act 2016
- ◆ Malaysian Financial Reporting Standards

This <IR> also contains our second Sustainability Report, which provides a comprehensive report of our performance in relation to economic, environmental and social sustainability issues that are material to the Group and our stakeholders. Its disclosures are guided by:







- ◆ Bursa Malaysia’s Sustainability Reporting Guide (2nd Edition)
- ◆ Bursa Malaysia Main Market Listing Requirements
- ◆ Global Reporting Initiative (“GRI”) Sustainability Reporting Standards

Scope & Boundary:

- ◆ This report extends beyond financial reporting to include non-financial performance and our achievements as a Group
- ◆ It covers the reporting period of 1 April 2021 to 31 March 2022, unless otherwise stated

HOW TO NAVIGATE THIS REPORT

Our Six Capitals

-  Financial Capital
-  Human Capital
-  Manufactured Capital
-  Social & Relationship Capital
-  Intellectual Capital
-  Natural Capital

Our Material Matters

-  Product Quality & Safety
-  Producing Healthy Products
-  Efficient Farm Management & Production
-  Distribution Network Management
-  Talent Attraction, Retention & Development
-  Environmental Stewardship
-  Community Impact
-  Regional Growth

Forward-looking Statements:

- ◆ This report contains certain forward-looking statements, relating to information on future directions, strategies, potential risks, actions to mitigate risks and our performance
- ◆ These statements and forecasts involve uncertainty as they describe future events and are not conclusive. Actual implementation and results may differ depending on various risk factors and market uncertainties, which may be unforeseeable
- ◆ The inclusion of forward-looking statement in this report should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved. Readers should not place undue reliance on such forward-looking statements, and we do not undertake any obligation to publicly update or revise any forward-looking statements



Our Key Stakeholders

- | | |
|--|--|
|  Customers |  Investors & Shareholders |
|  Distributors |  Local Communities |
|  Employees |  Suppliers |
|  Governments & Regulators | |

Our Strategic Priorities

-  Expansion
-  Innovation
-  Reputation

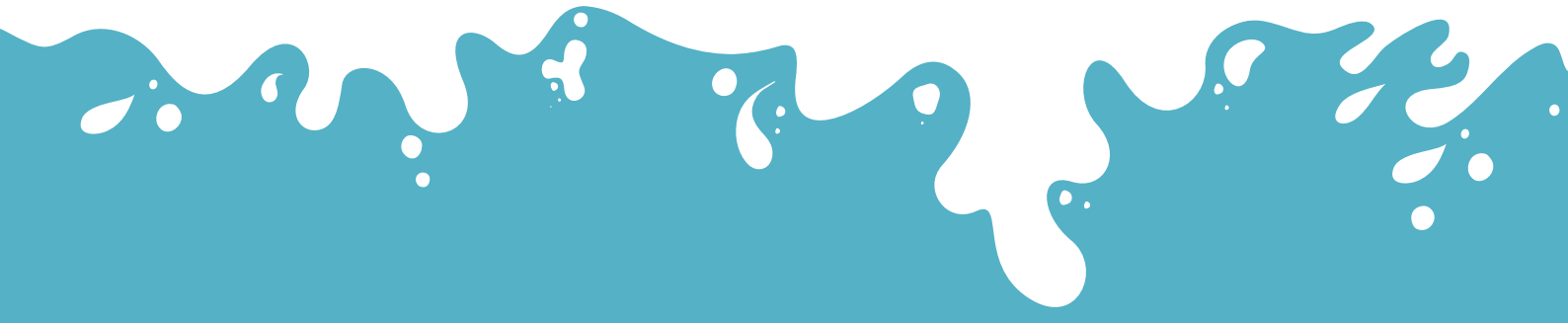


THE FARM FRESH STORY

From grass-to-glass to great success, the growth of Farm Fresh that has unfolded over the past 13 years is one of Malaysia's most remarkable business success stories.

In 2009, our founders Loi Tuan Ee and Loi Tuan Kin imported 60 Holstein Jersey cows from Australia, setting up a small farm in Mawai, Johor to produce dairy for the local Malaysian market. They ensured that all products were free of preservatives, artificial colourings and flavourings, and delivered freshly to supermarket shelves. This created a key competitive advantage compared to imported dairy brands, many of which offered products containing powdered or reconstituted milk.

Aided by the popularity of our fresh milk products and investment from Khazanah National Berhad, we subsequently undertook various expansions to our production capacity and product offerings. We also pioneered an innovative "home dealer programme", whereby micro-entrepreneurs in rural areas of Malaysia were appointed as stockists, dealers and agents of our products, providing income-generation opportunities while improving our penetration of some of Malaysia's most remote areas.



Today, we are a fully vertically integrated dairy producer, operating six dairy farms and three processing facilities across Malaysia and Australia, and marketing 135 SKUs across our various brands including Farm Fresh, Master Barista, Henry Jones, Yarra Farm, Yarra by Farm Fresh and Nubian Goat's Milk. We have established a presence in various product segments including Ready To Drink ("RTD") chilled, ambient and yoghurt products, plant-based products, and sauces. Furthermore, driven by our strong research and development capabilities, we were the first to introduce innovative products including kurma milk, organic milk, lactose-intolerant milk, oat and almond milk to the Malaysian market, catering to the evolving requirements and preferences of consumers.

Having evolved from a homegrown upstart to become Malaysia's largest integrated producer of dairy products made from fresh raw milk, our focus now lies in expanding our production capacity and capabilities even further, thereby enabling us to expand our reach to more markets across Asia and introduce dairy *just as nature intended* to even more consumers.



“ We have established a presence in various product segments including Ready To Drink (“RTD”) chilled, ambient and yoghurt products, plant-based products, and sauces.

”

A SNAPSHOT OF FY2022

FINANCIAL HIGHLIGHTS

Revenue

▲ 2%

RM 501.9 million

(2021: RM490.5 million)

Profit Before Tax

▼ 3%

RM 65.7 million

(2021: RM67.6 million)

Net Profit

▲ 139%

RM 78.6 million

(2021: RM32.8 million)

Earnings Per Share

▲ 119%

4.87 sen

(2021: 2.22 sen)

Shareholders' Equity

▲ 153%

RM 611.0 million

(2021: RM241.0 million)

Net Gearing Ratio

▼ 56%

0.43 times

(2021: 0.98 times)

OPERATIONAL HIGHLIGHTS

78.6 million

litres of finished goods sold

(2021: 75.5 million litres)

Total landbank size of

5,416 acres

(2021: 4,916 acres)

13 (Total 135 SKU)

new products commercialised

(2021: 9 products)

10,309 dairy cows and bulls

(2021: 9,066 dairy cows and bulls)



SUSTAINABILITY HIGHLIGHTS

335.0 million litres of Farm Dairy Effluent (FDE) recycled and removed from waste discharge
FY2021: 289.6 million litres

428.8 million litres of municipal water saved through rainwater harvesting and tube well pumping
FY2021: 401.5 million litres

RM133.9 million income generated for stockists, dealers and agents under our home dealer programme
FY2021: RM151.5 million

86.4 million kg of solid waste recycled and removed from waste discharge
FY2021: 64.8 million kg

28% of turnover from products using fully recyclable, sustainably sourced packaging
FY2021: 33%

RM3.2 million in income generated for our partner farmers
FY2021: RM8.6 million

687,876 kg of chemical fertiliser removed from our cycle
FY2021: 573,000 kg

The carbon emissions intensity of our Malaysian farms is **27% lower** than the average Asian dairy farm

72% of our total workforce across farms and processing facilities recruited from rural communities in Malaysia
FY2021: 72%

AWARDS & RECOGNITION



- 1 Certified Humane® Accreditation**
 for all our completed Malaysian farms from Humane Farm Animal Care (HFAC)
- 2 Asia Corporate Excellence & Sustainability Awards 2021**
 Asia's Best Performing Companies
- 3 Putra Brand Awards 2021**
 - Putra Most Enterprising Brand of the Year
 - Platinum Award in the Beverage – Dairy category

OUR PRODUCTS

We serve the Malaysian as well as export markets with a diverse product portfolio of dairy and plant-based products, catering to a range of consumer preferences and dietary restrictions. All our products are produced in-house using fresh milk that is free of preservatives, artificial colourings and flavourings, and other foreign substances, and marketed under brands that are fully owned by the Group.



OUR BRANDS



Malaysia's largest homegrown dairy brand



Our brand of Australia-farmed milk, freshly flown and free of preservatives



Our brand of organic milk from Australia, available in both fresh and UHT varieties



Specialist milk formulated for the most exacting of coffee creators



A nutritionally wholesome alternative for those with lactose intolerance



Gourmet sauces and marinades for home chefs



OUR COMPETITIVE ADVANTAGE

In order to deliver on our proposition of offering high quality fresh milk-based products, we have invested extensively in refining in-house practices and developing an extensive owned network across the dairy value chain. As a result, we boast several key competitive advantages within the Malaysian dairy market.



ONE OF THE LARGEST AND FASTEST GROWING PLAYERS IN THE MALAYSIAN DAIRY INDUSTRY

We are now Malaysia's largest integrated producer of dairy products made from fresh raw milk.



AN ATTRACTIVE AND DIVERSIFIED PORTFOLIO OF PROPRIETARY BRANDS

We boast the largest portfolio of locally manufactured dairy products amongst Malaysian integrated dairy companies, all of which are based on our fresh milk proposition.



A VERTICALLY INTEGRATED "GRASS-TO-GLASS" MODEL

Our presence across the value chain from farming to distribution provides us with greater economies of scale and enables us to exercise a high degree of control over product quality.



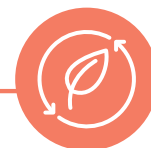
GENE BANK OWNERSHIP AND ESTABLISHED FARM MANAGEMENT PRACTICES

We own one of the largest remaining gene banks of the original Australian Friesian-Sahiwal cattle globally, employing proven practices across our farms to maximise herd health and milk yield.



EXTENSIVE MARKET PENETRATION THROUGH OUR MULTI-CHANNEL DISTRIBUTION NETWORK

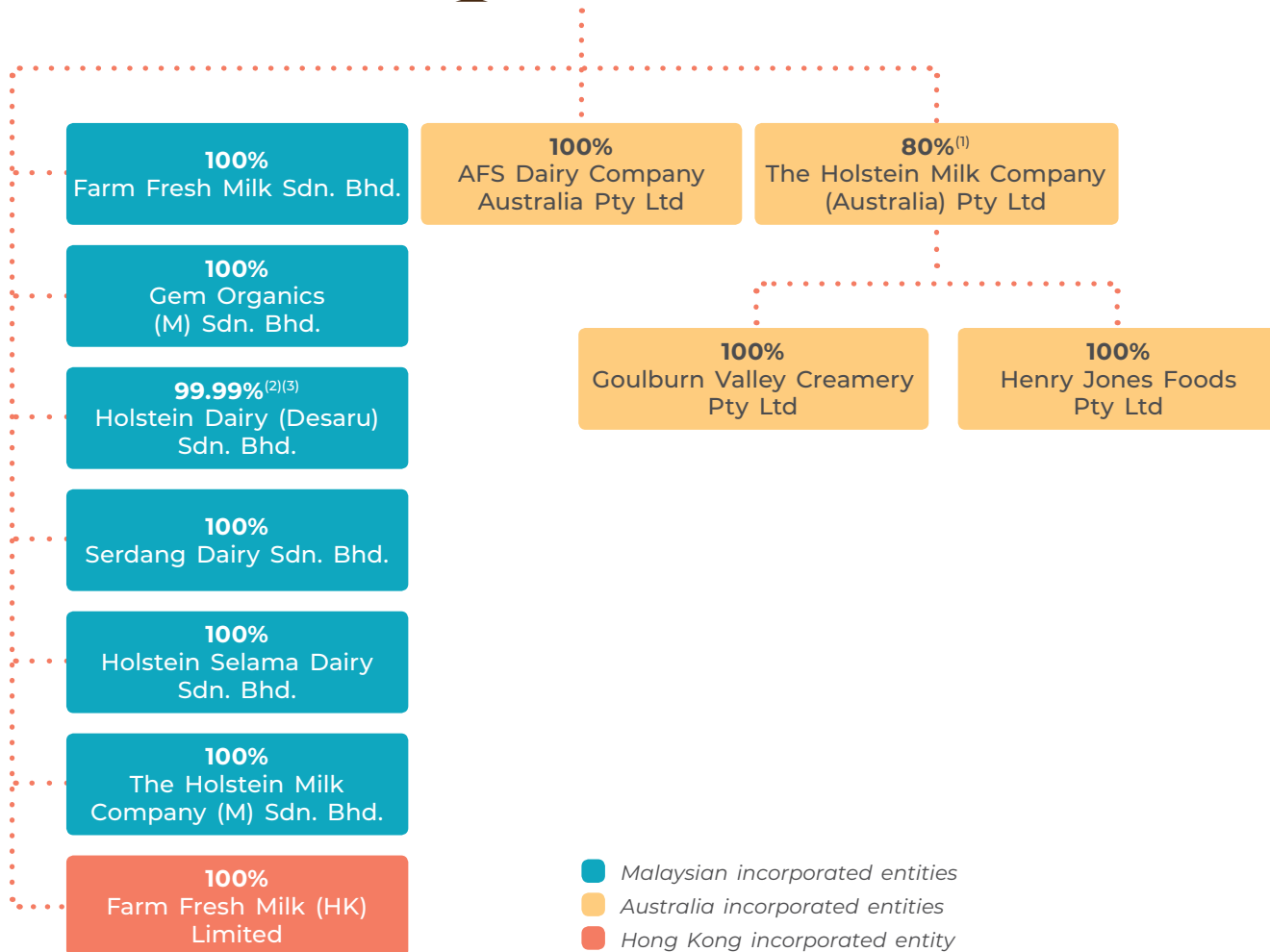
Our distribution network covers all states and key cities in Malaysia, while our unique home dealer network provides unrivalled penetration of rural areas of the country.



STRONG AND EXPERIENCED MANAGEMENT TEAM WITH SIGNIFICANT EMPHASIS ON ESG INITIATIVES

Our founder-led key senior management team have a combined 33 years of experience in the dairy industry, boasting a strong track record of delivering organic and inorganic growth since our founding.

GROUP STRUCTURE



Notes:

- (1) Remaining 20% held by Dairy Livestock Exports Pty Ltd, which is wholly-owned by Adam Graeme Pretty. Dairy Livestock Exports Pty Ltd is the trustee for the Adam Pretty Family Trust. Adam Graeme Pretty is the Managing Director of the Australian Business.
- (2) Loi Tuan Ee and Azmi Bin Zainal hold one share each in Holstein Dairy (Desaru).
- (3) Pursuant to the terms of the joint venture agreement dated 23 February 2015 between Bio Desaru Sdn. Bhd. and our Company (as supplemented by the supplementary agreement dated 17 May 2018) ("JVA"), Bio Desaru Sdn. Bhd. will subscribe for 33% ordinary shares in Holstein Dairy (Desaru) to be satisfied by part of the rental under the registered lease for the Desaru Farm.

OUR FARMS & PROCESSING FACILITIES

With six farms and three processing facilities across Malaysia and Australia, we are equipped to meet the growing demand for dairy and plant-based products among consumers. Furthermore, through the proximity of processing facilities to farms as well as proximity of our processing facilities to our customers in various regions within Peninsular Malaysia (more so with our upcoming Taiping processing facility and our planned central region manufacturing hub), we are able to ensure speed-to-market in all areas of Peninsular Malaysia.



MUADZAM SHAH

Commenced Production:
December 2014
Area: 1,105 acres
Capacity: 3,100 dairy cows

A vertically integrated farm with processing and manufacturing facilities located on site. We have also obtained, on a 30-year lease basis, 500 acres of land from Pahang State Government, which we will develop into a farm with similar capacity to our current Muadzam Shah farm, bringing our total land size to 1,105 acres and a total capacity to 6,000 dairy cows.



DESARU

Commenced Production:
September 2017
Area: 325 acres
Capacity: 550 dairy cows

A full-scale dairy farm with facilities covering all facets of dairy farm operations including barns, milking stations, pasture areas, a feed mixing area and calf facilities.

Milk produced is processed at our Larkin facility.

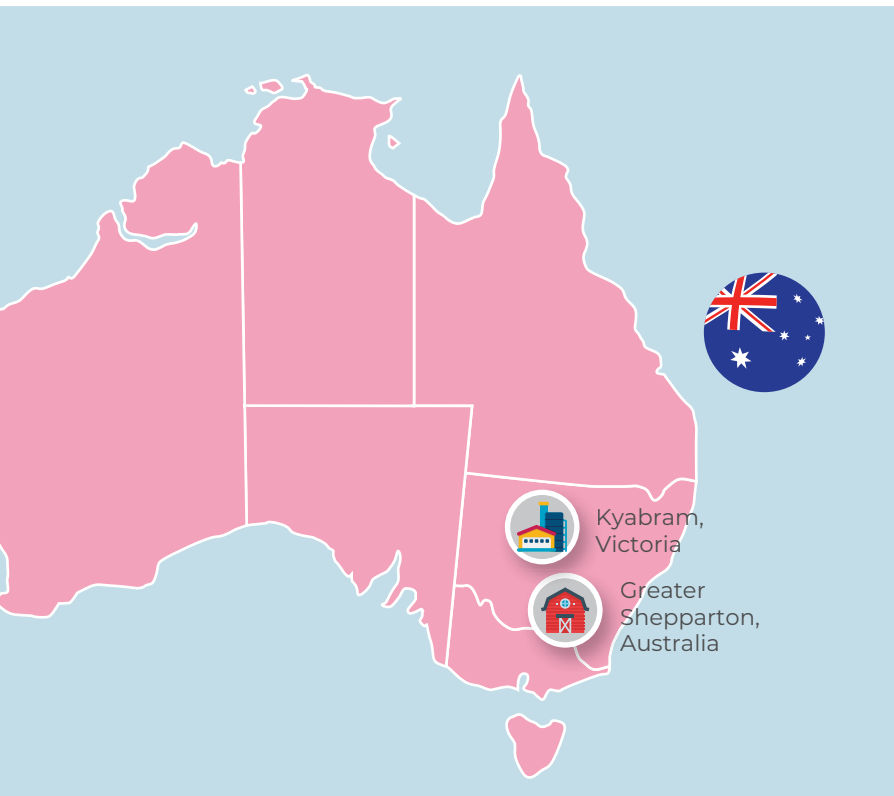


UPM

Commenced Production:
September 2018
Area: 100 acres
Capacity: 450 dairy cows

A full-scale dairy farm. Also serves as the location for the Industry Centre of Excellence for dairy farming ("ICoE"), which we have formed in collaboration with Universiti Putra Malaysia to enhance research in areas related to dairy products and farming. Houses a visitor centre to educate the public on dairy farming, the benefits of fresh milk, and our brands.

Milk produced will be processed on site pending completion of a milk processing facility in 2022.



5,416
acres of land

10,309
dairy cows and bulls

Annual capacity of

137.0 million litres
of finished goods

84.0 million litres
of processed milk



MAWAI

Commenced Production:
October 2019
Area: 471 acres
Capacity: 1,400 dairy cows

A full-scale dairy farm with facilities covering all facets of dairy farm operations including barns, milking stations, pasture areas, a feed mixing area and calf facilities.

Milk produced is processed at our Larkin facility.



TAIPING

Commenced Production:
September 2021
Area: 828 acres
Capacity: 1,400 dairy cows

Upon completion, our Taiping farm will be a full-scale dairy farm with a capacity to house 3,000 dairy cows, and will contain an on site processing facility.



GREATER SHEPPARTON, AUSTRALIA

Commenced Production:
December 2017, February 2019 & April 2019 (based on progressive landbank expansion)
Area: 2,587 acres
Capacity: 2,750 dairy cows

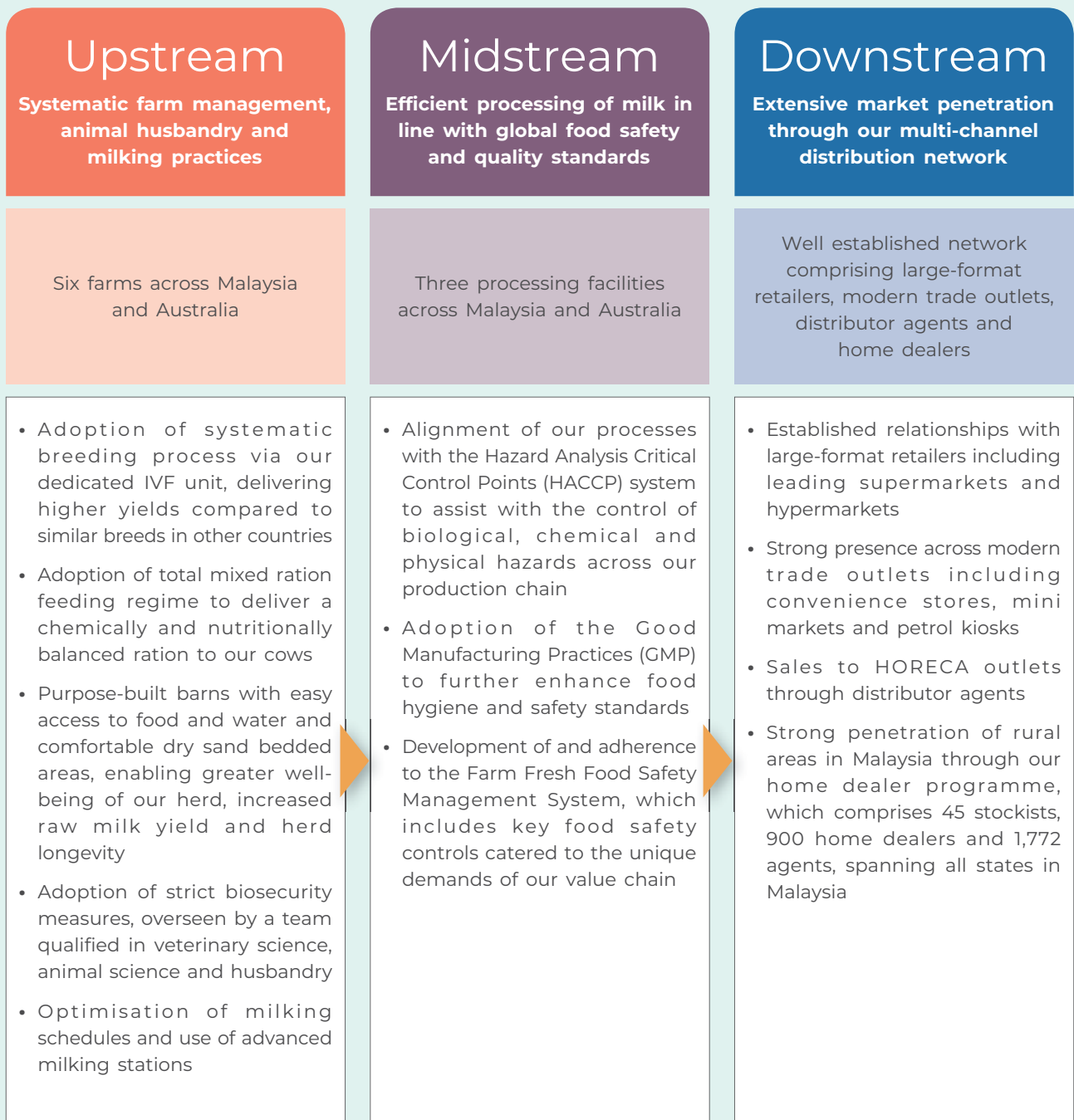
A full-scale dairy farm with facilities covering all facets of dairy farm operations including barns, milking stations, pasture areas, a feed mixing area and calf facilities.

Milk produced is processed at our Kyabram facility.

OUR PRESENCE ACROSS THE DAIRY VALUE CHAIN

We operate a “grass-to-glass” model with a presence across the upstream, midstream and downstream segments of the dairy industry, and are today Malaysia’s largest integrated producer of dairy products made from fresh milk.

This vertical integration provides us with traceability across our value chain, optimises cost-efficiency due to reduced import and third-party costs, and maximises our competitiveness in the markets in which we are present. This positions us ideally to scale our operations and further penetrate both the local Malaysian and regional markets.



Optimal product quality and operational efficiency

OUR GROWTH STRATEGIES

Leveraging internally-generated funds and the proceeds from our IPO, we are aggressively pursuing growth opportunities that will further strengthen our position as one of Malaysia's leading dairy producers and expand our market share within sizeable markets across Asia. We intend to achieve our goals by implementing the strategies below.

EXPAND OUR CAPABILITIES ACROSS THE VALUE CHAIN IN MALAYSIA

Expand our existing farms, install new filling and packaging lines, invest in a new manufacturing hub to be located in Negeri Sembilan, and set up a farm and integrated processing facility in East Malaysia.

GROW OUR PRODUCT PORTFOLIO

Launch new products – including a fortified growing up milk, plant-based yoghurts and UHT/ambient dairy varieties – while deepening our penetration of the school and canteen market.

ACCELERATE REGIONAL EXPANSION OUTSIDE MALAYSIA

Increase the production capacity of our facility in Kyabram, Australia, to meet export demand across Asia-Pacific, while expanding into the Indonesia, Philippines and Hong Kong consumer dairy markets.

KEY MILESTONES

2009



- Commenced our dairy farming operations involving the rearing of goats and sale of goat milk.

2012

- Commenced processing operations at our Larkin facility.
- Launched our first flavoured milk product, namely our Farm Fresh chocolate milk.
- Launched our Farm Fresh colouring-free yoghurt.



2015

- Entered into an agreement for the acquisition of AFS Dairy Company, granting the Company ownership of one of the largest remaining gene banks of the AFS dairy breed to further increase our supply of the AFS dairy breed. The acquisition was completed in 2017.
- Awarded “Best Dairy Farm” by Asia Livestock.

Malaysian sovereign wealth fund Khazanah invests in The Holstein Milk Company Sdn. Bhd. (now known as Farm Fresh Berhad) via its wholly-owned vehicle, Agrifood Resources, acquiring a stake of 30%.



2011

- Commenced dairy farming activities at our Muadzam Shah farm.
- Appointed “Anchor Company” for the Muadzam Shah Cattle Research and Innovation Centre in Pahang.

2014

2016

- Commenced distribution of our products in Singapore.
- Launched kurma (palm dates) RTD milk using pure kurma extract, becoming the first local player in Malaysia to do so.

2017

- Our Desaru Farm became fully operational, providing additional fresh milk supply to our Group's processing facilities.
- Acquired Petabern Dairies, granting us access to Australian Holstein's purebred herd and resulting in the establishment of our first dairy farm in Australia, our Greater Shepparton Farm 1.
- Achieved the Good Agricultural Practices Certification accreditation from the DVS for our Muadzam Shah Farm.

2019

- Entered into an agreement, through THMC (Australia), to acquire the Greater Shepparton Farm 3, which is an additional dairy farm located within the same vicinity as Greater Shepparton Farm 1 and Farm 2 in Australia to serve as additional landbank allowing further herd expansion and AFS breeding.
- Completed the acquisition of our Kyabram facility through THMC (Australia), enhancing our capacity to process fresh milk in Australia and reducing our reliance on third parties for processed milk.

2021

- Commenced farm operations at our Taiping farm.
- Established our UPM Facility which commenced operations in March 2022.
- Received the Certified Humane® farming accreditation from HFAC.
- Achieved the Good Agricultural Practices Certification accreditation from the DVS for our UPM farm.
- Received the Asia Corporate Excellence & Sustainability Awards 2021 (ACES) as one of Asia's Best Performing Companies in November 2021.

- Received the ASEAN Inclusive Business Award.



- Launched our oat milk, almond milk and chocolate soy milk products.

2020

- Launched our lactose-free milk, becoming the first local player in Malaysia to do so.
- Entered into an agreement, through THMC (Australia), to acquire our Greater Shepparton Farm 2, which is an additional dairy farm located adjacent to the Greater Shepparton Farm 1 in Australia to serve as additional landbank allowing further herd expansion.
- Commenced processing and manufacturing activities at our Muadzam Shah farm. Launched our fresh milk-based UHT milk.

2018



- Received two awards at the Putra Brand Awards in January 2022: Platinum Award in the Beverage - Dairy category and Putra Most Enterprising Brand of the Year.

- As at 31 March 2022, we have 135 SKUs, including our newly launched A2 organic milk and banana milk.



- Farm Fresh Berhad is listed on the Main Board of Bursa Malaysia on 22 March 2022.

2022

Chairman's statement

“ DEAR STAKEHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS (“THE BOARD”), IT GIVES ME GREAT PLEASURE TO PRESENT TO YOU FARM FRESH BERHAD’S (“FARM FRESH” OR “THE GROUP”) INTEGRATED ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022, WHICH IS ALSO OUR FIRST SINCE OUR LISTING ON THE MAIN BOARD OF BURSA MALAYSIA ON 22 MARCH 2022. ”

**Tan Sri Dato’ Seri Haji Megat
Najmuddin Bin Datuk Seri Dr. Haji
Megat Khas**

Chairman



With our listing, this past year has been a truly momentous one for the Group, a culmination of 13 years of tireless work and dedication from the management team to build Farm Fresh into what it is today. It is therefore with a sense of great responsibility that I discharge my duties as Chairman, cognisant of the great opportunity Farm Fresh has to continue creating long-term value in Malaysia and across Asia.

In this statement, I shall outline the many ways in which we have aligned the trajectory of our operations with our duties to our stakeholders, as we seek to exemplify the spirit of *just as nature intended* not just through our products but also our actions across our diverse footprint.

DRIVING COMMUNITY DEVELOPMENT

Since our founding, generating shared value between our business and local communities has been central to our purpose. This imperative has guided our development of local-first policies, where we seek to meet the needs of our business within our surrounding communities, the majority of which are rural and relatively economically disadvantaged. This in turn led to the creation of our home dealer programme and local partner-farmer network, which provide sustainable economic opportunities to rural distributors and farmers respectively.

Today, these programmes have grown to become landmarks in the Malaysian dairy industry, providing entrepreneurs with an avenue to improve their livelihoods and attain incomes significantly in excess of comparable incomes in their geographical region. In the case of our home dealer programme, our network has helped thousands of micro-entrepreneurs, out of which 80% of them are woman, to gain financial independence and become pillars of their communities.

As at the end of FY2022, we had grown our home dealer network to 45 stockists, 900 home dealers and 1,772 agents, spanning all states in Malaysia and generating RM133.9 million in income across our home dealer network. That this economic value is circulated within local communities to drive rural development is a source of continuing pride for us.

Our community development efforts also span our hiring practices, and at present, our total workforce across our farms and production facilities comprise 93.8% local staff and 72% staff who are recruited from rural and underserved communities, including the indigenous *Orang Asli* community.



With an eye to nurturing the next generation of leaders, our focus is equally trained on providing opportunities for society's most under-represented to achieve career advancement. In FY2022, we launched the Farm Fresh Scholarship Programme, whereby we are providing academically strong *Orang Asli* students with educational and financial support for their studies all the way from primary to university level, with guaranteed employment for all graduates who meet pre-stipulated performance standards. While the programme is currently in its pilot phase with 20 students, we hope to expand its reach in the coming years in order to deliver greater impact in rural areas and build a sustainable pipeline of future leaders for the Group.

During the past year, we also rolled out a timely philanthropic response to COVID-19 and its devastating impact on families and communities. Through a donation of RM500,000 to Yayasan Didik Negara (YDN) and a further RM360,000 from public donations which we facilitated via our website, we were able to help students affected by the loss of parents due to the pandemic, providing the financial support they need to continue their studies in spite of mounting difficulties.

CHAIRMAN'S STATEMENT

CONTRIBUTING TO A HEALTHIER PLANET

Our operations are necessarily land- and resource-intensive, and as a responsible dairy company we have taken proactive steps to reduce our climate impact and operate more harmoniously with natural environments.

Our efforts in this area date back to 2014, when we first introduced regenerative agricultural practices at our Muadzam Shah farm. These practices, as detailed in our Sustainability Statement, aim to achieve circularity at our farms by recycling organic or animal waste for reuse across key functions such as pasture irrigation, fertilisation and barn washing, and by maximising our use of rainwater and groundwater. Collectively, they serve to reduce our reliance on municipal sources of water and minimise the waste that we discharge into the surrounding environment.

In FY2021, we took our commitment to environmental and climate action further by undertaking our inaugural carbon footprint inventory exercise based on the GHG Protocol Corporate Accounting and Reporting Standard. The exercise provided us with a complete picture of our emissions across the Group, illuminating strategies that we can employ to achieve progressive reductions in this area over time. The exercise yielded positive results compared to regional benchmarks as issued by the Food and Agriculture Organization of the United Nations and Global Dairy Platform Inc. in 2019. Our Malaysian farms have an emissions intensity 27% lower than the average of Asian dairy farms, and our Australian farms are doing even better, with an emissions intensity 47% lower than the corresponding average in the Oceania region.

Accordingly, we have begun the process of implementing key climate action strategies including the adoption of renewable energy, with our solar PV projects for Muadzam Shah and Larkin already complete. I'm proud to highlight that in several hours during the day, our Muadzam Shah facility runs completely on solar power and does not draw any electricity from the grid. Soon, we will also have a solar PV system at our Taiping farm, on top of our first biogas plant which is planned for our Muadzam Shah farm.

In seeking to stand as an example of environmental responsibility within our industry and Malaysia as a whole, the sustainability of our packaging is yet another key focus area. Currently, 37% of our turnover comes from products that use fully recyclable and sustainably forested packaging, a proportion which we aim to increase significantly in the coming years.

However, we understand that introducing recyclable packaging is only half of the equation. To encourage the adoption of recycling within the Malaysian populace, we have opened an education centre at our UPM farm in 2022 which will spread awareness of the importance of recycling and teach consumers best practices which they can apply in their everyday lives.

Looking forward, as we continue to strengthen our approach to environmental sustainability, we aim to develop sustainability-linked supplier criteria that will guide our supplier selection process, enabling even greater positive impact across the entire dairy value chain.

DELIVERING SUSTAINABLE GROWTH

As a newly public listed company, the execution of our ambitious expansion plans rests greatly on our ability to maintain the trust of consumers and our stakeholders at large.

In implementing a robust approach to governance, FY2022 saw the introduction of a range of new policies and codes including our Code of Conduct and Business Ethics, Conflict of Interest Policy, Ethical Trading Policy and our Whistle Blowing Policy. Developed in line with the recommendations of the Malaysian Code on Corporate Governance (MCCG) 2021, these policies and codes uphold the utmost importance of ethical business practices and enshrine the principles of non-discrimination, anti-bribery and anti-corruption, and transparency at all levels of our business and across our supply chain.



In enabling the Group to deliver responsible and balanced growth, I am further heartened by the appointment of a diverse group of individuals to our inaugural Board of Directors. Its seven members collectively bring to the table a wealth of experience across dairy farming and production, investment management, risk management, corporate governance, government relations and more, and will maximise our ability to achieve our near-to-long-term targets while safeguarding the interests of our stakeholders.

I am deeply aware of the responsibility that the Board carries in delivering on our long-term objectives and look forward to working with my fellow Board members in a collaborative spirit in order to further drive the Group's value creation and growth trajectory.

“ Thanks to your energy and belief, we have achieved what many thought impossible and led a homegrown company to become Malaysia’s favourite dairy provider ”



ACKNOWLEDGEMENTS

On behalf of the Group, I would like to express my sincere appreciation to our diverse and dedicated workforce – spearheaded by the vision of our Founder, Group Managing Director and Group Chief Executive Officer Loi Tuan Ee – for their efforts in helping Farm Fresh Berhad achieve its goals since the company's founding in 2009. Thanks to your energy and belief, we have achieved what many thought impossible and led a homegrown company to become Malaysia's favourite dairy provider. Equally, I would like to thank our many partners – spanning our suppliers, distributors and government authorities – for their unstinting support and collaborative efforts.

As we look forward towards a future filled with possibility, we will strive to enhance the ability of our business to generate shared value for our stakeholders at every turn.

Tan Sri Dato’ Seri Haji Megat Najmuddin Bin Datuk Seri Dr. Haji Megat Khas
Chairman



Group Chief Executive Officer's statement



DEAR STAKEHOLDERS,

FROM A HOMEGROWN DAIRY COMPANY FOUNDED WITH 60 COWS IN A SMALL FARM IN JOHOR, FARM FRESH BERHAD HAS GROWN LEAPS AND BOUNDS OVER THE PAST 13 YEARS TO BECOME MALAYSIA'S LARGEST VERTICALLY INTEGRATED DAIRY COMPANY, CULMINATING IN OUR LISTING ON THE MAIN BOARD OF BURSA MALAYSIA ON 22 MARCH 2022. ”

LOI TUAN EE

Group Managing Director
and Chief Executive Officer

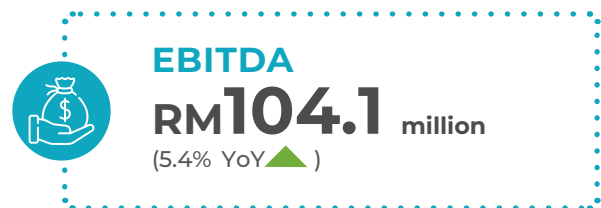


RATHER THAN BEING AN ENDPOINT IN OUR EVOLUTION, THIS IS JUST THE BEGINNING OF A WHOLE NEW CHAPTER IN OUR HISTORY; ONE WHERE WE WILL LEVERAGE THE CAPABILITIES WE HAVE DEVELOPED AND KNOWLEDGE WE HAVE GAINED TOWARDS CEMENTING OUR LEADERSHIP POSITION IN THE MALAYSIAN DAIRY INDUSTRY AND EXPAND TO NEW MARKETS ACROSS THE ASIA-PACIFIC REGION. IT IS A TIME OF GREAT PROMISE AND EXPECTATION.

Nevertheless, as we gear up to capitalise on the opportunities of the modern day, we are conscious that we are operating in a market environment and global context that is unprecedented in the scale of its challenge. With conflict returning to the developed world and global economic uncertainty looming, commodity and logistics prices have surged, causing many global companies to cut spending and adopt caution.

While we have undoubtedly been affected by this turbulent macro environment, its impact has been limited due to the internalisation of our operations as a vertically integrated dairy company. Indeed, our “grass-to-glass” model – with a presence across the upstream, midstream and downstream segments of the dairy industry – is our greatest strength, providing us with the flexibility to adapt to operational challenges and scale to meet demand alike, all while minimising costs of farming, processing and distribution.

In this statement, I will outline the various strategies we have employed to drive expansion, enable innovation and enhance our reputation as an organisation, while detailing the ambitious plans we have formulated to accelerate growth in future.



CHIEF EXECUTIVE OFFICER'S STATEMENT



RECORDING A RESILIENT FINANCIAL PERFORMANCE

In spite of supply chain and commodity price increases, the Group registered a solid financial performance in FY2022 with revenue of RM501.9 million (2.3% YoY increase) and a slight decline in our Profit Before Tax to RM65.7 million (3% YoY decrease). Our results were depressed by losses incurred and the consequent rationalisation of our IXL fruit jam business in Australia, an increase in input costs as well as the normalisation of demand in FY2022.

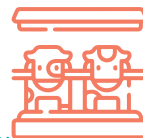
It is important to view these results in the context of the COVID-19 pandemic and its effect on consumer behaviour. As the pandemic spread in early 2020 and the first Movement Control Order (“MCO”) was introduced in mid-March 2020, consumers sought to stock up on household essentials, leading to a surge in demand that was most noticeable in the sales of our UHT/ambient milk products in FY2021. As the pandemic extended to FY2022, there has been a natural decline as buying behaviour normalised, reflected in reduced sales figures across our product range.

Notwithstanding the immediate uncertainties prevailing currently, the Group remains confident that with the future plans in place, it is poised to register long term growth in its sales, market share and profitability. As our 5-year financial performance illustrates, our revenue and EBITDA has grown from FY2018 to FY2022 by a CAGR of 45.1% and 39.4% respectively, a commendable increase that reflects the impact of growing our brand as well as proactive expansions to our landbank and processing facilities which we have executed over the preceding years.

FARM AREA
5,416
ACRES



8,938
dairy herd size
across Malaysia
and Australia



Providing long-term career advancement opportunities for local communities

72% of our staff at our farms and processing facilities are hired from within local communities



INNOVATING TO CAPTURE INCREASED MARKET SHARE

In a positive prognosis for the future, the success of our products continues to be reflected in our growing dominance across key segments. From 3 January 2021 to 2 March 2022, our market share in the Chilled RTD segment increased from 40.7% to 49.4%, while we currently hold a market share of 8.6% in the ambient RTD segment, resulting in a market share of 23.2% in the overall RTD milk segment, up by 2.3% from the 20.9% market share we achieved in 2021.

Just as importantly, we have established ourselves as the clear market leader in fresh-milk based products with 54% and 48% market shares in the fresh-milk sub-segments of the chilled RTD and ambient RTD segments respectively. This positions us ideally to capitalise on increased consumer preference for fresh and unadulterated products. Furthermore it substantiates our core proposition of offering dairy processed without preservatives, artificial colourings or flavourings, and other foreign substances, just as nature intended.

At the same time, we place considerable focus on innovating new products that cater to the evolving dietary restrictions and preferences of consumers. Within the past two years alone, we have become the first company to introduce organic milk, oat milk and almond milk products in Malaysia. These new products have been received well by consumers and have served to widen our addressable market, providing a strong foundation for the continued innovation and introduction of new products, flavours and varieties in future.



**Chilled RTD
Market Share**

49.4% ▲ 8.7pp

**RTD Milk
Market Share**

23.2% ▲ 2.3pp

Looking ahead, we're excited by the potential presented by our entry into new and underpenetrated product segments. In July 2022, we are slated to launch our own brand of growing up milk for children aged two to six years old, made from fresh milk with fortification such as DHA, inulin, zinc, iron and vitamins, such as A and D, and does not contain preservatives, artificial flavouring, vegetable oil, calcium carbonate (from limestone) and most importantly hidden sugar in the form of maltodextrin. This product offers parents a healthier alternative compared to powder-based products, in line with our goal to nurture healthier future generations. Concurrently, we aim to meet demand for quality dairy from lower-income populations through our Yarra by Farm Fresh range of products, which utilises whole milk powder as a base and will be positioned at a lower price point than our existing RTD product range. 2022 will also see the launch of a new range of plant-based yoghurt products, a further extension of our plant-based line which will offer additional options for consumers with lactose-intolerance and other dietary restrictions.

Ultimately, by continuously innovating to fulfil evolving consumer needs while remaining steadfast in our commitment to using pure ingredients in line with our fresh milk proposition, we have steadily gained market share and brand loyalty. This culminated in us receiving two awards at the Putra Brand Awards in 2022, namely the Platinum Award in the Beverage – Dairy category and the Putra Most Enterprising Brand of the Year award. The Putra Brand Awards is an annual premier brand awards event in Malaysia endorsed by the Malaysia External Trade Development Corporation, with winners determined using a robust consumer research methodology in which 11,000 consumers vote for their favourite brands within multiple categories, thereby establishing Malaysian consumers themselves as the judges and award-givers of this distinguished event.

Attaining top spot in the Beverage – Dairy category, where we bested other established players including multinational brands which have been in the market for decades longer than us, gives us immense satisfaction. Meanwhile, the Putra Most Enterprising Brand of the Year award recognises the outstanding work that we have done in product innovation and in ensuring shared value between our business, local communities and natural environment. These are accolades that we hold close to heart.

CHIEF EXECUTIVE OFFICER'S STATEMENT

SCALING UP OUR PRODUCTION CAPACITY

To meet increasing demand as our product portfolio grows, we have executed several key expansions to our farms and processing facilities over the past few years.

In FY2022, our total farm area increased from 4,088 acres to 5,416 acres, bolstered by the opening of our fifth Malaysian farm in Taiping. The farm is one of our largest to date – with the ability to house 3,000 dairy cows upon completion – and has enabled us to increase our herd size from 7,922 to 8,938. Through its on-site processing facility, it will also enable greater speed-to-market as we seek to grow our market share in the Northern region of Malaysia, while freeing up our Larkin processing facility to focus on increasing exports to the Singapore market. We have also obtained, on a 30-year lease basis, 500 acres of land from Pahang State Government, which we will develop into a farm with similar capacity to our current Muadzam Shah farm.

In the midstream segment, we have set a goal of increasing our production capacity from 137.0 million litres to 201.1 million litres of finished goods annually. Most immediately, this will involve the installation of new filling and packaging lines at our Muadzam Shah and Larkin facilities, and the launch of two new processing facilities based on-site at our UPM and Taiping farms.

While these expansions will allow us to meet near-term demand, our longer-term plans promise an even more transformative outcome. Currently, we are in the planning phase of developing a new manufacturing hub in Bandar Enstek, Negeri Sembilan, which will function as a central processing facility for our products in Peninsular Malaysia. By integrating our research and product development capabilities, we intend to use the facility to develop and test new product offerings for the Malaysian market.

We have also earmarked East Malaysia as a growing market for our products and aim to set up a farm and integrated processing facility which will allow for raw milk to be processed and a greater volume of our products delivered to key market centres in this region of Malaysia.



LAYING THE GROUNDWORK FOR REGIONAL EXPANSION

While we anticipate that the various Malaysia-based expansions detailed above will strengthen our position in the domestic market, I am most excited to share our bold plans for regional expansion.

As a part of the world that does not have a heritage in dairy farming, Asian countries have historically relied upon imports – primarily from Australia – to meet their dairy needs. Due to the vast distance needed to be covered in the importation process, however, the dairy reaching these countries' shores have mostly consisted of powdered or reconstituted dairy,

This is a gap which we intend to address through our fresh-milk based products. Furthermore, we believe that we possess a compelling competitive advantage due to our superior breeding capabilities, whereby we have leveraged our ownership of one of the largest gene banks of the original Australian Friesian-Sahiwal cattle to deliver unrivalled milk yield and cattle resilience in tropical climates.



“ Indonesia and the Philippines are rapidly developing economies with large populations, and both offer the potential to replicate our highly successful home dealer network to drive penetration in rural areas, while Indonesian consumers furthermore have a high demand for Halal products which we intend to capitalise on through our strong reputation in Malaysia. ”

Presently, we have identified three key markets in Asia-Pacific: Indonesia, the Philippines and Hong Kong.

Both Indonesia and the Philippines are rapidly developing economies with large populations, and both offer the potential to replicate our highly successful home dealer network to drive penetration in rural areas, while Indonesian consumers furthermore have a high demand for Halal products which we intend to capitalise on through our strong reputation in Malaysia. In both countries, we plan to establish processing facilities and manufacture our products locally by importing milk ingredients from our Kyabram facility, enabling the production of chilled products. Our initial focus will be on the Greater Jakarta and Metro Manila areas.

We will employ a different model in Hong Kong, where we have already incorporated a subsidiary (FFM HK) to drive the importation, marketing and FDA approval of some of our dairy and plant-based products. As such, we expect that sales of our products in this market will commence by end-2022.

Our entry into new markets will also be enabled by the planned AUD30 million expansion of our Kyabram processing facility in Australia. This will involve the purchase and installation of additional filling and packaging lines, enabling the production of UHT/ ambient products and Extended Shelf Life (ESL) milk for exports throughout the Asia-Pacific region.

CHIEF EXECUTIVE OFFICER'S STATEMENT

DELIVERING SHARED VALUE

As we execute on our ambitious growth strategies, the interests of our stakeholders and the health of our planet will remain at the very heart of our mission and at the centre of our considerations.

Sustainable value creation is more than just an obligation for us; it is the foundation upon which our business operates – to deliver healthy and nutritious products, we must maintain the highest standards in animal welfare, produce in harmony with the land, and leverage the unique talents and skills offered by local communities.

The Sustainability Statement contained within this Integrated Annual Report details the many ways in which the interests of our business are aligned with our social and environmental responsibilities, and here I shall provide an overview of the progress that our initiatives have made during the past year.

One of the key pillars of our sustainability agenda is our home dealer network. Comprising micro-entrepreneurs located across rural areas in Malaysia, they provide a channel for the distribution of our products to remote regions of the country and during the pandemic played a crucial role in ensuring households in these regions were able to secure nutritious dairy for consumption. As a result of their contributions, a total of RM133.9 million in income was generated in FY2022 for stockists, dealers and agents under the programme, 80% of which are women.

Within the upstream segment of our business, our network of partner-farmers deliver a similar impact. Empowered with ongoing mentorship and technical support from the Group, they are relied upon to produce raw milk which we purchase at a fair market price, and generated RM3.2 million in income through their dealings with us during FY2022. As we continue to expand our product portfolio and distribution network within Malaysia in the years to come, their role and the income they can generate will only grow.

These two networks represent unique ways in which our business has become integrated with the economic needs of local communities. We believe that they are unparalleled in the Malaysian dairy industry and we will continue to invest in their expansion with the aim of empowering small business owners and advancing community development.

Similarly, we are committed to providing long-term career advancement opportunities to members of local communities, with 72% of our staff at our farms and processing facilities at present recruited from nearby settlements. With the aim of enriching our talent pool locally, we also launched the Farm Fresh Scholarship Programme in FY2022, a first-of-its-kind initiative in partnership with the East Coast Economic Region Development Council (ECERDC) that will provide Standard 5 and 6 students from *Orang Asli* communities with full sponsorship of their education until university level and guaranteed employment upon graduation subject to meeting agreed academic criteria. This is an exciting new step in our ongoing mission to bridge the rural-urban economic divide.

In the coming years, we also expect to make significant progress on our robust environmental agenda, reducing waste generated from our operations, our use of municipal water and our Group-wide carbon emissions.

Guided by our first carbon footprint inventory exercise, which was carried out in FY2021, we identified and committed to emission reduction strategies that will involve large-scale investments in renewable energy across our farms and processing facilities. Currently, solar PV is already operational in our Muadzam Shah and Larkin facilities, with a further solar PV installation currently being planned for our Taiping facility. We are also finalising plans for our biogas plant in Muadzam Shah, which will then be followed by an additional biogas plant at our Taiping farm.





Just as significantly, we plan to roll out regenerative agriculture practices across all our farms by 2024. These are practices involve the recycling and reuse of liquid and solid waste generated by our herd for key functions across our farms, including irrigation, pasture fertilisation and barn washing. By enhancing the circularity of our farming practices, we are not only reducing the waste that we generate and minimising harmful side effects to the environment and local communities, but nourishing the land upon which we produce, thereby safeguarding the productive capacity of our landbanks and the sustainability of our farm-based operations.

As our business footprint grows, we will continue to seek out ways of lessening our environmental footprint on the planet we call home.

ACKNOWLEDGEMENTS

FY2022 was a truly momentous year in the Group's history, and we owe our progress to date to the unfailing faith and confidence shown by our stakeholders through the years.

First and foremost, I would like to personally thank our customers for making our products their preferred choice for fresh dairy and for believing in the abilities of a local company to produce to the highest levels. I would also like to express my appreciation to our varied business partners for their unstinting support and collaboration, and to our shareholders for their continued faith in our long-term vision.

Most of all, I wish to recognise the outstanding contributions of our loyal employees, many of whom have witnessed our evolution from the earliest days. Thanks to your dedication and teamwork, we stand on the cusp of our greatest era yet.

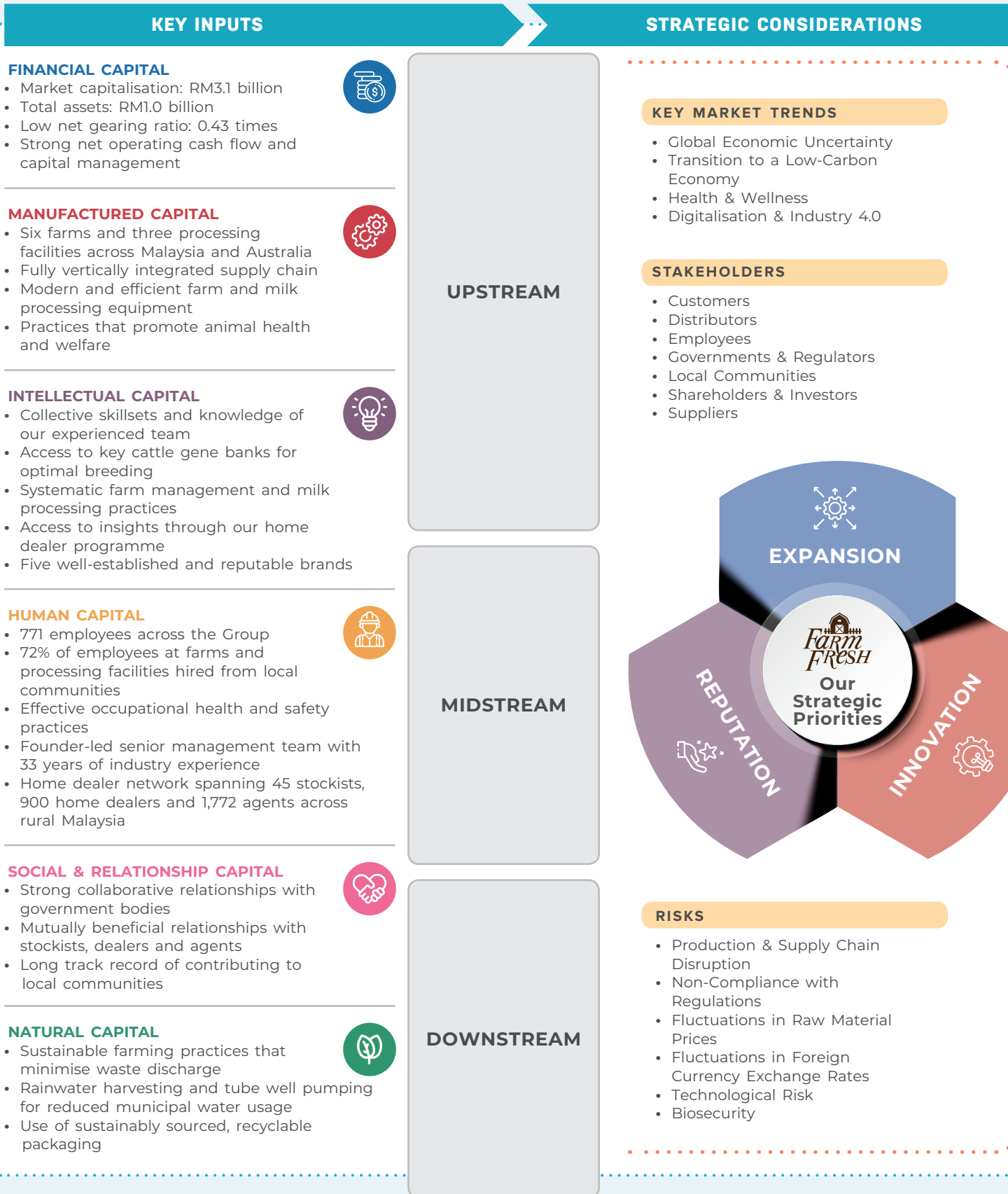
Loi Tuan Ee

Group Managing Director & Group Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

OUR VALUE CREATING BUSINESS MODEL

Our value creation business model describes how we develop strategies for value creation, and the outcomes of our actions. By consulting closely with our valued stakeholders, monitoring trends relevant to our industry and assessing prevailing risks to our operations, we identify material matters which in turn form the focus of our value creation efforts.



OUTCOMES



PRODUCT QUALITY & SAFETY



PRODUCING HEALTHY PRODUCTS



EFFICIENT FARM MANAGEMENT & PRODUCTION



DISTRIBUTION NETWORK EXPANSION



TALENT ATTRACTION, RETENTION & DEVELOPMENT



ENVIRONMENTAL STEWARDSHIP



COMMUNITY IMPACT



REGIONAL GROWTH

MATERIAL MATTERS

FINANCIAL CAPITAL

- Revenue: RM501.9 million
- Profit Before Tax: RM65.7 million
- Earnings Per Share: 4.87 sen
- Shareholders' Equity: RM611.0 million
- Cash and cash equivalents: RM28.1 million



MANUFACTURED CAPITAL

- 78.6 million litres of finished goods sold
- 500 acres of land leased from Pahang State Government



INTELLECTUAL CAPITAL

- 13 new products commercialised
- Received two awards at the Putra Brand Awards 2022
- All our completed Malaysian farms have been Certified Humane® by the Humane Farm Animal Care ("HFAC")



HUMAN CAPITAL

- RM50.9 million paid towards directors' and employees' remuneration and benefits
- 100% of our employees trained in the latest occupational health and safety practices
- Zero work-related fatalities and serious injuries
- Subsidised meals and free accommodation provided to 80% and 50% of farm employees respectively



SOCIAL & RELATIONSHIP CAPITAL

- RM3.2 million in income generated for local farmers
- RM133.9 million in income generated for stockists, dealers and agents under our home dealer programme



NATURAL CAPITAL

- 335.0 million litres of Farm Dairy Effluent (FDE) recycled and removed from waste discharge
- 86.4 million kg of solid waste recycled and removed from waste discharge
- 28% of turnover from products using fully recycle, sustainably sourced packaging
- 428.8 million litres of municipal water saved through rainwater harvesting and tube well pumping
- 687,786 kg of chemical fertiliser removed from our cycle



MARKET LANDSCAPE – KEY MARKET TRENDS

In developing value creation strategies, we undertake detailed consideration of global megatrends and industry-based trends which have the potential to affect our operations. Our response to these trends is detailed below:



MACROECONOMIC CHALLENGES



DESCRIPTION

The International Monetary Fund (IMF)'s Global Uncertainty Index has risen sharply to levels on par with the September 11 attacks and the UK's vote in 2016 to leave the European Union¹. This reflects a turbulent macroeconomic environment, where the

The Russia-Ukraine conflict has exacerbated existing imbalances caused by the COVID-19 pandemic, leading to a sharp increase in inflation² and in the price of oil³ and commodities⁴.

In addition, global trade has been affected by supply chain bottlenecks caused by the pandemic and its resultant labour shortages⁵, with the Malaysian National Shippers' Council (MNSC) reporting that sea freight rates have increased by up to 800% on some routes when compared to pre-pandemic levels⁵.

While demand for our products has remained stable during this period, we have been adversely affected due to the increasing price of inputs, placing pressure on our margins, and have witnessed a sharp rise in logistics costs in importing raw milk from Australia to Malaysia.

OUR RESPONSE

- To protect our margins, we increased the prices of our chilled and ambient RTD products by 5% in September and December 2021 respectively
- As a vertically integrated dairy company, we benefit from an internal supply chain which allows us to mitigate against price increases across many of our inputs
- We will continue to monitor prices and stock levels of raw materials to pre-emptively manage against volatility in supply and demand
- We will continue to centrally procure our raw materials in order to achieve economies of scale and mitigate against price increases

LINK TO



1. <https://blogs.imf.org/2022/04/15/global-economic-uncertainty-surging-amid-war-may-slow-growth/>
2. <https://tradingeconomics.com/united-states/inflation-cpi>
3. <https://edition.cnn.com/2022/06/03/energy/oil-prices-what-next/index.html>
4. <https://www.worldbank.org/en/news/press-release/2022/04/26/food-and-energy-price-shocks-from-ukraine-war>
5. <https://themalaysianreserve.com/2022/02/17/sea-freight-rates-rise-800-on-reduced-capacity>



TRANSITION TO A LOW-CARBON ECONOMY



As a resource- and land-intensive industry, dairy production makes a significant contribution to global emissions through the land it uses, the methane produced by cows, nitrous oxide from fertilisers, carbon dioxide from tillage, and the burning of fossil fuels to power farming and processing activities. It is therefore incumbent upon us to reduce the carbon footprint of our operations wherever possible, including by adopting energy-efficient practices across our value chain and increasing the contribution of renewable sources to our energy mix.

DESCRIPTION

The need for collective action on global warming has never been greater, with the latest Intergovernmental Panel on Climate Change (IPCC) Report showing that Planet Earth is close to exceeding the 1.5°C temperature limit to avoid irreversible impact on our climate⁶.

OUR RESPONSE

- Following our first carbon footprint inventory exercise carried out in July 2021, we have implemented various measures to reduce carbon emissions, including replacing existing anaerobic lagoons with anaerobic digestion tanks and installing solar thermal systems to reduce the use of diesel for our boiler and generator units
- We recently launched solar PV projects at our Muadzam Shah and Larkin processing facilities, with a further installation planned for our Taiping farm
- In 2022, we are set to launch our first biogas plant at our Muadzam Shah farm, followed by a biogas plant at our Taiping farm
- By adopting regenerative agriculture practices across our Muadzam Shah and UPM farms, we have reduced our reliance on chemical fertilisers and our methane emissions from animal waste
- We plan to implement regenerative agriculture practices across all our farms by 2024

LINK TO



6. <https://www.ipcc.ch/assessment-report/ar5/>

MARKET LANDSCAPE – KEY MARKET TRENDS



HEALTH & WELLNESS



DESCRIPTION

Global consumer demand for healthy food options has increased significantly over the past decade, and recent research suggests that this trend has accelerated in Malaysia.

GrabFood's Food Trends Report 2020/2021 shows that seven out of 10 Malaysians want to eat healthier and 44% are willing to pay more for healthier food⁷, while a study by Herbalife Nutrition found that in 2020, 61% of Malaysians surveyed were eating more plant-based foods⁸. In response, many leading internationally food brands have introduced plant-based food alternatives which have seen strong market uptake.

As awareness of the impact of diet on health and wellness grows, this trend will continue to accelerate in the years ahead, reflecting in growing demand for nutritious and additive-free options across a wider variety of product categories, and especially in products for children.

OUR RESPONSE

- As Malaysia's largest producer of dairy products from fresh raw milk, we have developed a reputation for healthy and nutritious products which are free of preservatives, artificial flavourings and colourings, and foreign substances
- In 2022, we are slated to launch a new growing up milk for children aged two to six years old, made from fresh milk with fortification such as DHA, inulin, zinc, iron and vitamins, such as A and D, and which does not contain preservatives, artificial flavouring, vegetable oil, calcium carbonate (from limestone) and most importantly hidden sugar in the form of maltodextrin
- Building upon our plant-based line and our A2 organic milk, we will continue to introduce new products which cater to consumer dietary restrictions and preferences
- We will continue to seek out ways that we can improve our food safety and quality standards towards ensuring healthy and nutritious products

LINK TO



7. <https://www.thestar.com.my/food/food-news/2022/01/08/food-trends-to-look-out-for-in-2022>
 8. <https://www.nst.com.my/lifestyle/heal/2021/04/680500/shift-towards-plant-based-foods>



DIGITALISATION & INDUSTRY 4.0



DESCRIPTION

Digital technology is transforming how goods are produced, marketed and consumed and, with the pace of innovation only increasing, will continue to disrupt the FMCG and dairy sectors in the years and decades to come.

At the farm level, automation is reducing the reliance on human labour, driving time- and cost-efficiencies which can be seen in the bottom line. Furthermore,

with the widespread adoption of data and analytics in farm operations, owners are now better able to make accurate predictions regarding weather, crop conditions, animal health and other key areas, enabling better decision making.

Looking further downstream, FMCG companies have widely adopted digital sales and marketing channels, minimising distribution costs and engaging a new generation of consumers. The emphasis placed on digital channels only increased in the wake of the COVID-19 pandemic, as daily life transitioned online, and will continue to be a major area of growth moving forward.

In considering the sustainability of our operations, it is therefore vital that we explore and implement technologies wherever practicable that enable us to enhance efficiencies in how we produce and distribute our products. Doing so will mitigate against the risk presented by advanced technologies introduced by new market entrants or existing players.

OUR RESPONSE

- We have adopted Industry 4.0 technology – including automated milking stations and an automated palletising system – to fulfil selected functions, with an eye to increasing adoption in the near future
- We will continue to invest in improving the efficiency of our processing facilities by integrating advanced technology
- We will continue to invest in Farm Fresh Mart – our digital customer acquisition channel – to capture new customers and bolster the growth of our home dealer network

LINK TO



STAKEHOLDER ENGAGEMENT

We engage with our stakeholders in an open and transparent manner, with the aim of gaining a more holistic view of the impacts of our business. Our engagements form a key part of the materiality determination process, which in turn impacts our product development and investment strategies.

How We Engage



Customers

Quality of Engagement:

- Our corporate website
- Our social media channels
- Customer surveys and focus groups
- Face-to-face interactions at roadshows and other on-ground marketing events



Distributors

Quality of Engagement:

- Periodic visits and assessments
- Distributor training courses
- Face-to-face interactions and calls
- Circulars and periodic e-mail communication



Employees

Quality of Engagement:

- Regular employee townhalls
- Training courses
- Team building events
- Employee appraisals
- Circulars and periodic e-mail communication



Governments & Regulators

Quality of Engagement:

- Periodic e-mail communication
- Face-to-face interactions and calls
- Seminars, training sessions and dialogues
- On-site inspections and audits
- Our Integrated Annual Report

Key Concerns

- Healthy and nutritious products that are safe to consume
- Products which cater to their dietary restrictions and preferences
- Being a socially and environmentally responsible organisation

How We Address Their Expectations

- Ensuring our products are free from preservatives, artificial colourings and flavourings, and other foreign substances
- Introducing alternative milk products such as our organic A2 milk, kurma milk, lactose-free varieties and plant-based milk
- Ensuring all our production facilities continue to adhere to GMP and HACCP food safety and quality principles
- Continuing to invest in community and environmental initiatives

Large format & on-trade retailers:

- Full and updated information on our products
- Clarity on distribution area and product resale price

Stockists and dealers under our home dealer programme:

- Full and updated information on our products
- Clarity on distribution area and product resale price
- Support in business development and sales

- Clear and open communication on products, resale prices and distributor regulations
- Penetrating the rural school and canteen market, thereby opening new sales opportunities within our home dealer programme
- Our Farm Fresh Mart, which connects interested buyers directly to our home dealers and agents

- A safe and respectful working and environment and culture
- Maintaining a robust approach to anti-bribery and anti-corruption
- Fair opportunities for career advancement and growth
- Clarity and inclusion on company initiatives and growth plans

- Handling employee complaints through clear and open communication
- Our Code of Conduct and Business Ethics and Whistle Blowing Policy, with an external party to be engaged to operate an independent hotline, thereby ensuring confidentiality and providing additional confidence to parties who wish to lodge a report
- Training courses curated to deliver role-specific knowledge and professional development
- Our Employee Share Option Scheme (ESOS), which rewards employee performance and promotes staff retention
- Maintaining high standards in occupational health and safety

- Operating in compliance with all local, state and federal laws and regulations
- Contributing to community and environmental initiatives that support national development
- Providing sustainable, long-term job opportunities to local communities

- Clear and open communication on all policies and practices
- Swiftly addressing any instances of non-compliance
- Continuing to invest in community and environmental initiatives, many of which are in collaboration with government departments
- Continuing to support local communities through preferential hiring practices
- Supporting the Malaysian economy through income taxes and foreign currency receipts

STAKEHOLDER ENGAGEMENT

Quality of Engagement:



No existing relationship



Relationship established, but much work to be done to improve quality of relationship



Relationship established, value-generating connection, but with some room for improvement



Good-quality, mutually beneficial relationship, with some room for improvement



Strong relationship of mutual benefit



Investors & Shareholders

Quality of Engagement:



How We Engage

- Periodic e-mail communication
- Periodic investor briefings
- One-on-one meetings
- Site visits
- Our quarterly financial result briefings and our Annual General Meeting
- Our Integrated Annual Report



Local Communities

Quality of Engagement:



- Community initiatives and outreach programmes
- Face-to-face interactions and calls
- Periodic visits to local communities



Suppliers

Quality of Engagement:



- Periodic supplier visits and assessments
- Face-to-face interactions and calls
- Ongoing e-mail communication

Key Concerns

- Delivering sustainable and profitable long-term growth
- Safeguarding against any reputational damage from non-compliance, food safety issues and other issues

How We Address Their Expectations

- Maintaining timely and transparent disclosure of our performance
- Maintaining open dialogue with major investors via one-on-one meetings
- Maintaining our high standards in governance and our stringent internal controls
- Continuing to invest in community and environmental initiatives

- Providing sustainable, long-term job and income opportunities to local citizens
- Helping to drive local community development through appropriate initiatives
- Ensuring that our farms and processing facilities minimise negative impacts on the environment



- Creating job opportunities in rural areas near our farms and processing facilities, with preference given to hiring locals, including indigenous populations
- Providing income-generation opportunities to micro-entrepreneurs through our home dealer programme
- Transferring knowledge to local farmers through mentorship and access to technical support
- Launching internship programmes in collaboration with local universities
- Funding scholarships for students from indigenous populations through the Farm Fresh Scholarship Programme
- Maintaining sustainable farming practices that minimise waste discharge from our farms






- Maintaining a fair and robust procurement system
- Maintaining a robust approach to anti-bribery and anti-corruption
- Supporting the local Malaysian business ecosystem

- Our comprehensive Code of Conduct and Business Ethics and Whistle Blowing Policy
- Maintaining a policy of hiring local suppliers wherever possible

KEY RISKS AND MITIGATION

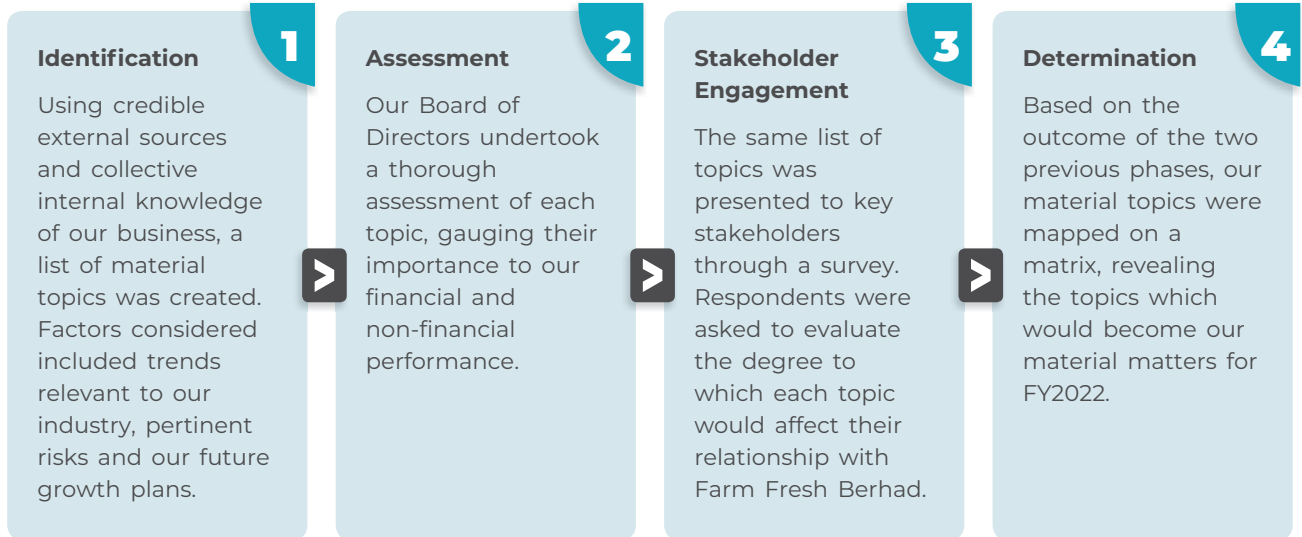
Given the vertically integrated and geographically diverse nature of our operations, we are exposed to a variety of risks which can have severe impacts throughout our value chain. We adopt a stringent approach to assessing and mitigating against such risks, as detailed below.

Risk	Description	Mitigation Actions
<p>Production & Supply Chain Disruption</p> <p><i>Link to Material Matters:</i></p>  <p><i>Link to Capitals:</i></p> 	<p>From milking to bottling to transportation of finished goods to points of sale, improper handling of our products or other production deficiencies can lead to a severe drop in quality and even threaten consumer health.</p>	<ul style="list-style-type: none"> • All staff are provided with comprehensive product familiarisation training to promote correct handling of products • All staff, suppliers and third-party distributors undergo a bi-annual food handling course • Production machinery is regularly checked for defects and quality levels • Our processes are aligned with the GMP and HACCP food safety and quality principles, assisting in the control of biological, chemical and physical hazards • Our processes strictly adhere to the strictures of our internally-developed Farm Fresh Food Safety Management System
<p>Non-Compliance with Regulations</p> <p><i>Link to Material Matters:</i></p>  <p><i>Link to Capitals:</i></p> 	<p>Given the public and capital-intensive nature of our business, any instances of non-compliance with regulations – whether related to product specifications, labour or environmental footprint – can incur a substantial financial cost and lead to severe reputational damage.</p>	<ul style="list-style-type: none"> • Our Internal Audit & Risk department performs thorough and regular audits on national regulations to ensure compliance • We maintain active communication with local, state and national authorities to ensure we remain apprised of any changes to regulations relevant to our business
<p>Fluctuations in Raw Material Prices</p> <p><i>Link to Material Matters:</i></p>  <p><i>Link to Capitals:</i></p> 	<p>As we operate in a competitive marketplace and sell our products across multiple jurisdictions, substantial fluctuations in raw material prices can have a major effect on our profit-generating abilities.</p>	<ul style="list-style-type: none"> • We continuously monitor prices and stock levels of raw materials to pre-emptively manage against volatility in supply and demand • We continuously optimise our animal feed to mitigate against rising input costs, most recently by increasing our use of spent grain as the price of corn grain rose due to the Russia-Ukraine conflict • To optimise our cost base and drive efficiency, our raw materials are centrally procured, thus achieving greater economies of scale

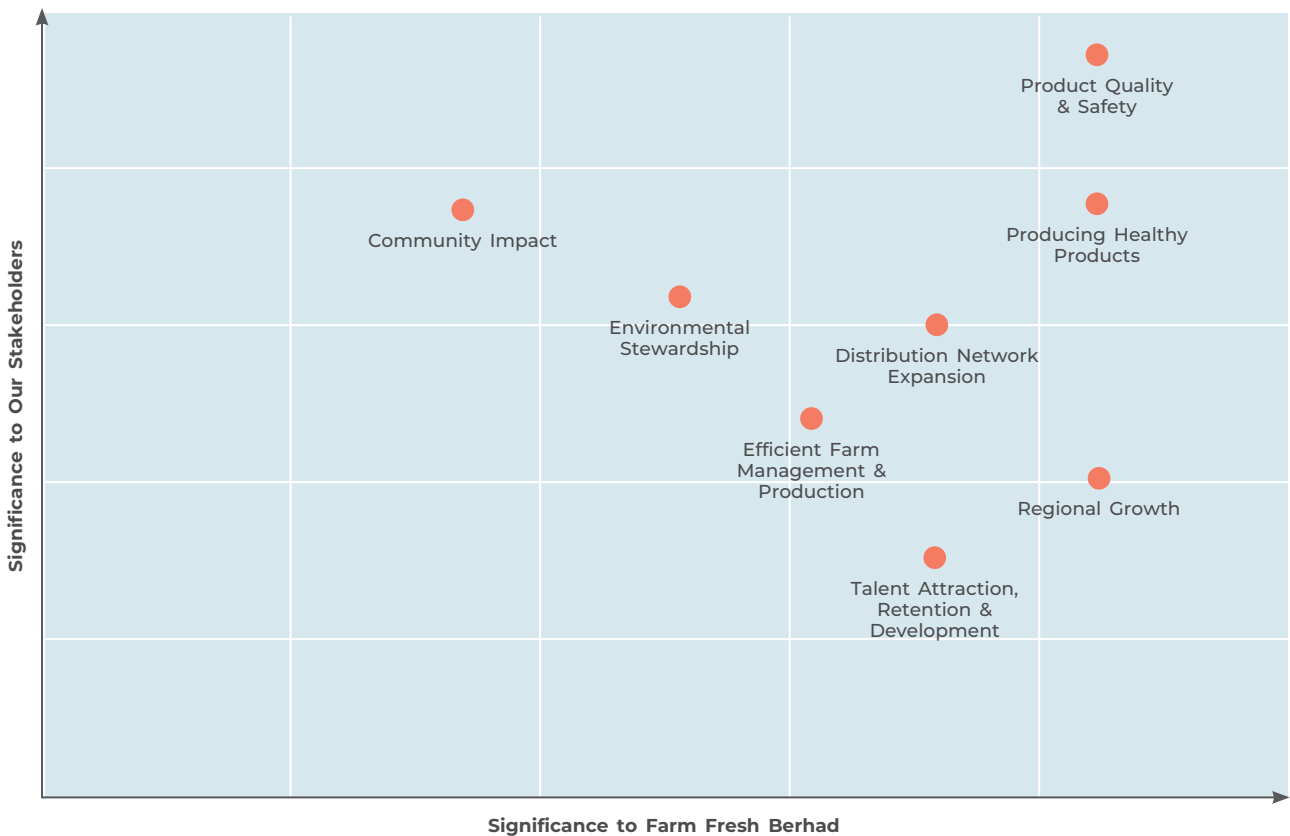
Risk	Description	Mitigation Actions
<p>Fluctuations in Foreign Currency Exchange Rates</p> <p><i>Link to Material Matters:</i></p>  <p><i>Link to Capitals:</i></p> 	<p>We purchase most of our milk ingredients from Australia and sell the majority of our finished goods in Malaysia. Therefore, significant fluctuations in the exchange rate between AUD and MYR may negatively impact our profitability.</p>	<ul style="list-style-type: none"> • We continuously monitor the AUD to MYR exchange rate to facilitate pre-emptive planning • We hedge our exposure to exchange rate fluctuations by entering into forward contracts, whereby we lock in a purchase price for certain ingredients at a fixed price
<p>Technological Risk</p> <p><i>Link to Material Matters:</i></p>  <p><i>Link to Capitals:</i></p> 	<p>In the competitive dairy and plant-based markets, new players may enter with advanced technology which provides an advantage – whether in terms of quality, cost or production capacity – thereby eroding our market share.</p> <p>Cybersecurity forms another part of the technological risk facing our business, as our increasingly digitalised production systems and sales channels may be subject to cyber-attacks if not adequately protected.</p>	<ul style="list-style-type: none"> • Our dedicated IVF unit continually carries out research and development with the aim of breeding cows with a higher productive capacity and resilience to our tropical climate • We continually explore new and improved farm management and production methods with the aim of enhancing product quality and operational efficiency • We continually invest in improving the efficiency of our processing facilities by introducing new and advanced lines, and improving our existing production lines • All staff are encouraged to attend training related to cyber security and personal data protection • With the guidance of external experts, we conduct regular IT system health checks and security updates
<p>Biosecurity</p> <p><i>Link to Material Matters:</i></p>  <p><i>Link to Capitals:</i></p> 	<p>Our farms are a space shared by up to thousands of our cows at once, and any infection that is not properly contained has the potential to severely deplete our resources and affect product quality and safety. In turn, this can have a devastating impact on our bottom line and our reputation.</p>	<ul style="list-style-type: none"> • Strict herd biosecurity measures have been implemented across all our farms, including adherence to the Good Animal Husbandry Practices (GAHP) manual which governs our farm practices, and the MyGAP certification, which certifies our compliance with good agricultural practices for livestock • Measures are overseen by a qualified team comprising veterinarians as well as animal science and husbandry graduates, who have primary responsibility for the health of our herd • Regular vaccinations are administered on our herd, especially the scheduled Foot Mouth Disease (FMD) vaccinations

MATERIAL MATTERS







Our material matters represent the issues that are most important to our business. They are the result of a robust materiality determination process that takes into account our strategies, risks and the input of our stakeholders.







The materiality matrix shown below reveals how each material matter was evaluated by our Board and our stakeholders.



PRODUCT QUALITY & SAFETY

WHY IT MATTERS	HOW WE ADDRESS IT
<p>We have built a reputation for high quality products which are safe to consume, with zero product recalls due to safety reasons since 2014. Any negative incidents would severely impact sales, the loyalty of our customer base and our ability to execute our future growth plans.</p>	<ul style="list-style-type: none"> • Operating all our production facilities in accordance with the GMP and HACCP food safety and quality principles • Adhering to an established system of checks and controls at each stage of the production process • Carrying out thorough maintenance of existing equipment to ensure they are functioning to the highest possible standards <p>Future Plans:</p> <ul style="list-style-type: none"> • Invest in state-of-the-art equipment to progressively upgrade our facilities, especially in equipping our upcoming central manufacturing hub
<p>LINK TO</p> <p>Stakeholders:    Capitals:   </p>	

PRODUCING HEALTHY PRODUCTS




WHY IT MATTERS	HOW WE ADDRESS IT
<p>In an age when consumers are becoming more health conscious, our reputation as a producer of healthy products positions us ideally to capture additional market share across our existing product segments and through new products in the pipeline.</p>	<ul style="list-style-type: none"> • Delivering the highest standards in health and nutrition across all our products, including by maintaining our proposition of offering products made from fresh milk with no preservatives, artificial colourings and flavourings, or other foreign substances • Offering healthy products that meet growing niches in the market, like our kurma milk and A2 organic milk • Practising full transparency in our labelling and marketing <p>Future Plans:</p> <ul style="list-style-type: none"> • Continue to invest in developing healthy products that meet the nutritional needs of consumers, including through our planned development of a fresh milk-based growing up milk
<p>LINK TO</p> <p>Stakeholders:    Capitals:   </p>	




OUR MATERIAL MATTERS

EFFICIENT FARM MANAGEMENT & PRODUCTION

WHY IT MATTERS	HOW WE ADDRESS IT
<p>By continually refining our well-established farm management and production practices, we can produce to a high quality and price our products affordably, not just within Malaysia but across export markets.</p>	<ul style="list-style-type: none"> • Leveraging our “grass-to-glass” business model to unlock greater cost efficiencies in production • Driving continual improvement in our IVF practices, thereby propagating better genetics faster • Leveraging our feeding, biosecurity and milking practices to maximise the productive capacity of our cows • Investing in advanced barns and other farm-based technologies to improve the welfare of our cows • Investing in state-of-the-art production technologies to produce high quality milk more efficiently <div data-bbox="628 808 1417 1093" style="border: 1px solid #ccc; padding: 10px; margin-top: 20px;"> <p>Future Plans:</p> <ul style="list-style-type: none"> • Continue to improve upon our humane farming practices in line with Certified Humane® standards • Continue to work with tertiary institutions and research firms in developing improved animal health and welfare practices catered to tropical climates • Unlock greater production efficiency through our central manufacturing hub </div>

LINK TO




Stakeholders:   




Capitals:   

DISTRIBUTION NETWORK EXPANSION

WHY IT MATTERS	HOW WE ADDRESS IT
<p>Our existing multi-channel distribution network provides unparalleled reach across urban, suburban and rural areas of Malaysia. However, there remain regions of the country where we can increase our presence. We also see the potential to replicate our home dealer programme model in Indonesia upon our regional expansion.</p>	<ul style="list-style-type: none"> • Continually refining our home dealer incentive plan to improve their livelihoods and drive increased sales • Actively recruiting new stockists and home dealers to improve our reach in underpenetrated areas of Malaysia • Continuing to develop relationships with new distributors to increase our reach amongst large-format and on-trade retail outlets

LINK TO

Stakeholders:   

Capitals:   

TALENT ATTRACTION, RETENTION & DEVELOPMENT

WHY IT MATTERS

Our valued team members bring a wealth of experience in dairy farming and production to the table, helping to ensure that we meet the highest standards in food safety, quality and animal welfare. Maintaining and growing this pool of talent will be crucial as we seek to expand our capabilities, offer new products and access new markets.

HOW WE ADDRESS IT

- Providing competitive compensation to attract new talents and retain our experienced team
- Launching our Employees' Share Option Scheme (ESOS), which rewards employee performance and promotes staff retention
- Collaborating with local universities to launch internship programmes
- Funding the education of indigenous students through the Farm Fresh Scholarship Programme, with a view to hiring graduates upon completion of their studies

LINK TO

Stakeholders:



Capitals:



ENVIRONMENTAL STEWARDSHIP

WHY IT MATTERS

Corporate environmental responsibility and climate action are increasingly becoming key determinants in consumer choice and investor support. Furthermore, we have a responsibility to minimise the negative impact of our farms and processing facilities on local communities.

HOW WE ADDRESS IT

- Implementing sustainable farming practice that recycle animal waste for use as bio-fertiliser, cow bedding and to irrigate pasture for feed
- Implementing rainwater harvesting and tube well pumping technologies for reduced municipal water usage
- Adopting sustainably sourced, recyclable packaging for selected products
- Completing our first carbon inventory to gain a full picture of our climate impact
- Installing 1.7MWp solar energy facilities at our Muadzam Shah and Larkin processing plants for renewable energy generation

Future Plans:

- Install a solar PV facility at our Taiping farm
- Install biogas plants at our Taiping and Muadzam Shah farms for renewable energy generation, which will make use of animal waste as its key input
- Reduce our carbon footprint in line with internally-set Scope 1 and Scope 2 targets
- Increase our proportion of products sold in sustainably sourced, recyclable packaging
- Set specific sustainability-linked criteria for supplier evaluation and selection

LINK TO

Stakeholders:



Capitals:








OUR MATERIAL MATTERS

COMMUNITY IMPACT

WHY IT MATTERS	HOW WE ADDRESS IT
<p>As a homegrown Malaysian company, uplifting local communities is core to our purpose as an organisation. Through our broad business footprint, we have the opportunity to empower job creation, promote skills development and provide entrepreneurship opportunities for many, particularly amongst those in rural and underserved areas.</p>	<ul style="list-style-type: none"> • Creating job opportunities in rural areas near our farms and processing facilities, with preferential hiring of locals including indigenous populations • Providing income-generation opportunities to micro-entrepreneurs through our home dealer programme • Transferring knowledge to local farmers through mentorship and access to technical support, while purchasing the milk they produce at a fair market price • Launching internship programmes in collaboration with local universities • Funding the education of <i>Orang Asli</i> students through the Farm Fresh Scholarship Programme • Stewarding school programmes that promote nutrition and health amongst youth







LINK TO

Stakeholders:     Capitals: 

REGIONAL GROWTH

WHY IT MATTERS	HOW WE ADDRESS IT
<p>To date, there is a lack of commercial dairy companies offering fresh milk-based products across Asia. By leveraging our proximity to these markets and expansions to our production capacity, we can capitalise on the big opportunity this brings.</p>	<p>Future Plans:</p> <ul style="list-style-type: none"> • Enter the markets of Indonesia, the Philippines and Hong Kong: <ul style="list-style-type: none"> – In Hong Kong, we will distribute, sell and merchandise our dairy and plant-based products under our FFM HK subsidiary – We plan to establish processing facilities and manufacture our products locally in Indonesia and the Philippines by importing milk ingredients from our Kyabram processing facility • We are investing further in our Kyabram facility to produce finished goods such as UHT products for exports to the Asia-Pacific region.

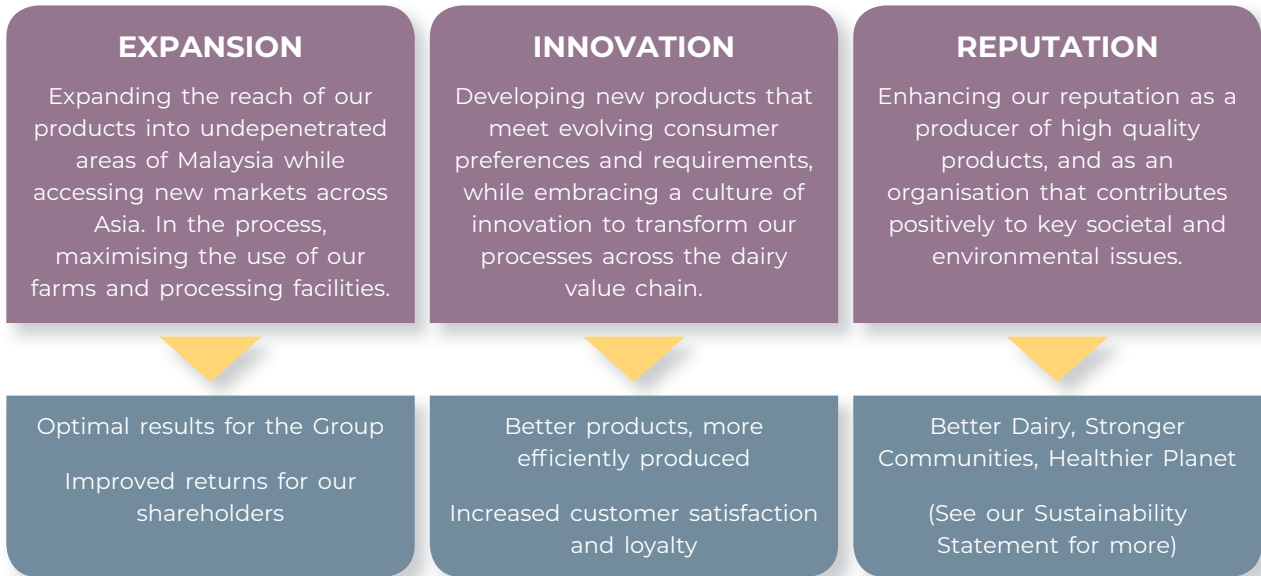
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Stakeholders:   Capitals:    

OUR STRATEGIC PRIORITIES

As a homegrown company founded to provide more nutritious dairy to Malaysians, we have continuously sought to achieve synergy between our business objectives and the betterment of people, communities and natural environments. Now, as we embark on a new era in our evolution, rapid **expansion** into new markets and **innovation** of new products are imperatives. However, the full impact of our actions in these areas can only be realised if we maintain our **reputation** as a responsible and inclusive organisation that seeks to create shared value in all that we do.

Detailed below, these are our strategic priorities: three key reference points that will continue to guide how we create value in the short, medium and long term.



EXPANSION

WHAT IT MEANS

Expanding the reach of our products into underpenetrated areas of Malaysia while accessing new markets across Asia. In the process, expanding the productive capacity of our farms and processing facilities.

OUR ACTION PLAN

- Scale up our farm area, herd size and milk production through expansion of existing farms and acquisition of additional landbanks
- Install new filling and packaging lines within our existing processing facilities, and complete the construction of two new processing facilities, at our UPM and Taiping farms respectively
- Establish a new manufacturing hub in the Central Region of Peninsular Malaysia
- Establish a new dairy farm and integrated processing facility in East Malaysia to meet demand in this region of the country
- Expand our distribution to convenience stores and petrol kiosks, while continuing to grow our home dealer programme to capture underpenetrated areas of Malaysia
- Expand into the consumer dairy markets of Indonesia, the Philippines and Hong Kong, aided by the planned expansion of our processing facility in Kyabram, Australia

DESIRED OUTCOMES

- Optimal financial results for the Group
- Improved returns for our shareholders

OUR STRATEGIC PRIORITIES

INNOVATION

WHAT IT MEANS

Developing new products that meet evolving consumer preferences and requirements, while embracing a culture of innovation to transform our processes across the dairy value chain.

OUR ACTION PLAN

- Launch a growing-up milk for children aged from two to six years old, made from fresh milk with fortification such as DHA, inulin, zinc, iron and vitamins, such as A and D, and which does not contain preservatives, artificial flavouring, vegetable oil, calcium carbonate (from limestone) and most importantly hidden sugar in the form of maltodextrin
- Deepen our penetration of the school and canteen market via our network of home dealers
- Continue to grow our Yarra Farm product portfolio to capture a larger share of the UHT/ambient milk segment
- Launch our “Yarra by Farm Fresh” range of products, which will be produced using whole milk powder and positioned at a lower price point
- Launch a new range of plant-based yoghurt products
- Explore expansion into new product categories such as non-dairy packaged food and beverage products
- Explore the use of automation technology to improve production efficiency

DESIRED OUTCOMES

- Penetration of new markets
- Improved production efficiency

REPUTATION

WHAT IT MEANS

Enhancing our reputation as a producer of high quality products, and as an organisation that contributes positively to key societal and environmental issues.

OUR ACTION PLAN

- Adopt regenerative agriculture practices across all our farms
- Install biogas and solar plants for renewable energy generation across select farms and processing facilities
- Scale up rainwater harvesting and tube well pumping systems across all our farms
- Implement sustainability-linked criteria for the selection of suppliers
- Increase our use of sustainably sourced Tetra Pak packaging to cover more of our packaging requirements
- Continue to invest in school-based campaigns that raise awareness on the importance of recycling
- Continue to contribute to supplementary food programmes that provide nutritious food to students from low-income households
- Scale up our Farm Fresh Scholarship Programme, which supports the education and future employment of children from *Orang Asli* communities
- Further our collaborations with tertiary institutions and research firms to develop improved animal health and welfare practices catered to tropical climates

DESIRED OUTCOMES

- Better Dairy, Stronger Communities, Healthier Planet
- (See our Sustainability Statement for more)

5-YEAR FINANCIAL SUMMARY

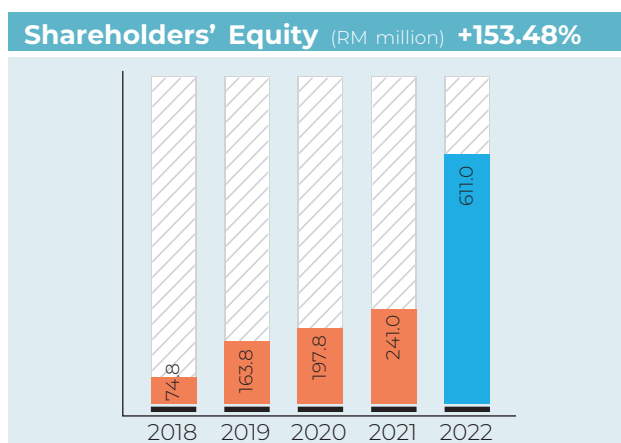
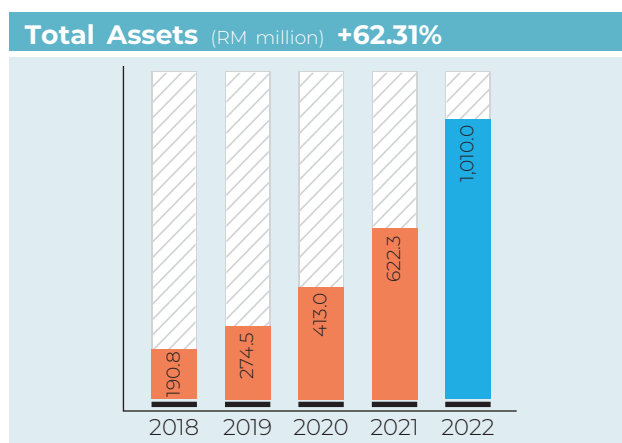
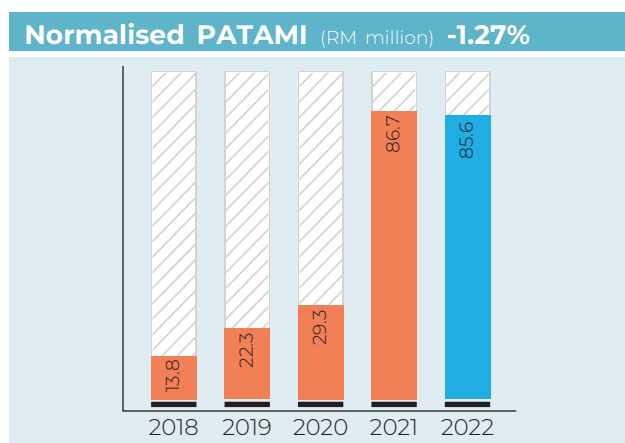
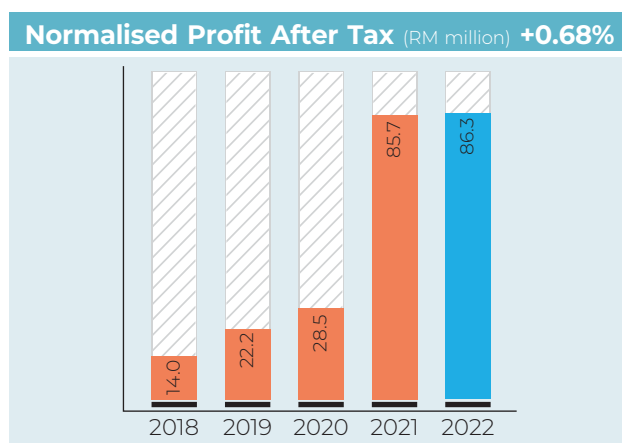
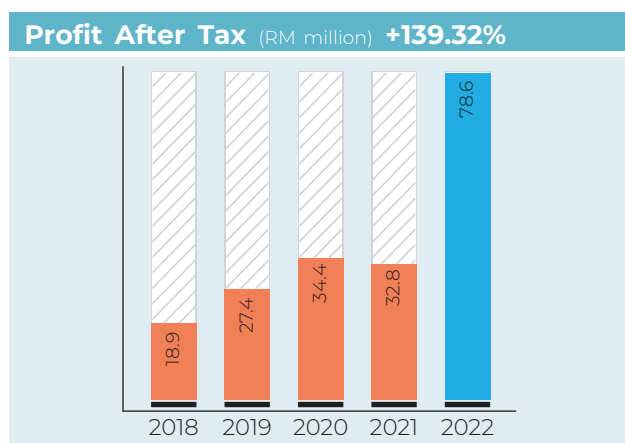
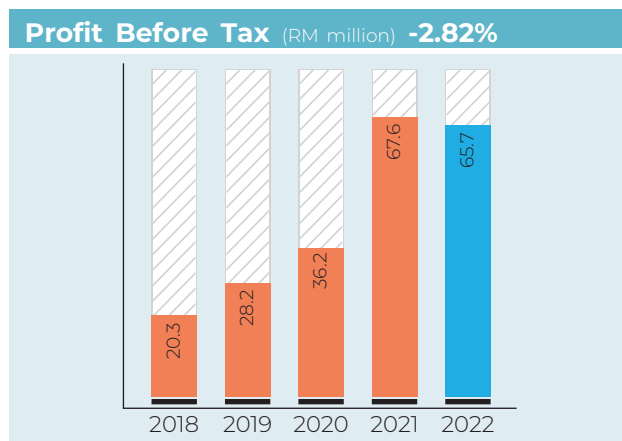
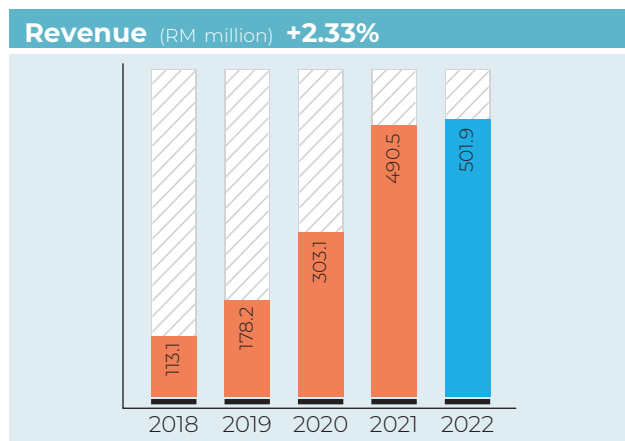
Year Ended 31 March	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
Statements of Profit and Loss and Other Comprehensive Income Summary					
Revenue	501,921	490,498	303,067	178,227	113,144
Gross Profit	136,344	140,886	80,054	54,394	35,534
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	104,082	98,759	56,554	40,755	27,569
Profit before tax ("PBT")	65,684	67,589	36,176	28,181	20,324
Profit after tax ("PAT")	78,565	32,828	34,382	27,377	18,870
Profit attributable to owners of the Company ("PATAMI")	79,887	36,228	35,220	27,435	18,654
Normalised profit after tax ("PAT")	86,313	85,730	28,512	22,237	14,024
Normalised profit attributable to owners of the Company ("PATAMI")	85,613	86,716	29,350	22,296	13,808
Statements of Financial Position Summary					
Non-current Assets	480,311	416,673	284,364	198,661	150,237
Current Assets	529,703	205,585	128,672	75,809	40,606
Total Assets	1,010,014	622,258	413,036	274,470	190,843
Share Capital	380,607	87,780	87,780	87,780	27,780
Reserves	225,336	146,863	101,510	69,901	42,871
Equity Attributable to owners of the Company	605,943	234,643	189,290	157,681	70,651
Non-controlling interests	5,019	6,387	8,475	6,130	4,168
Current Liabilities	146,607	261,484	109,261	56,431	48,493
Non-current Liabilities	252,445	119,744	106,010	54,228	67,531
Total Equity and Liabilities	1,010,014	622,258	413,036	274,470	190,843
Performance Indicators					
Basic Earnings Per Ordinary Share (Sen) [®]	4.87 [#]	2.22	2.15	1.68	1.15
Net Dividends Per Share (Sen)	1.07 [*]	–	–	–	–
Net Assets Per Share (RM)	0.37	0.14	0.12	0.10	0.04
Net Gearing Ratio (Times)	0.43	0.98	0.74	0.37	0.87
Return on Equity (%) ^{#®}	20.3	39.1	15.8	18.6	21.9
Net Operating Cash Flow (RM'000)	49,202	59,668	24,173	13,657	17,717

[#] Basic earnings per share is computed based on weighted average number of ordinary shares for the financial year under review.

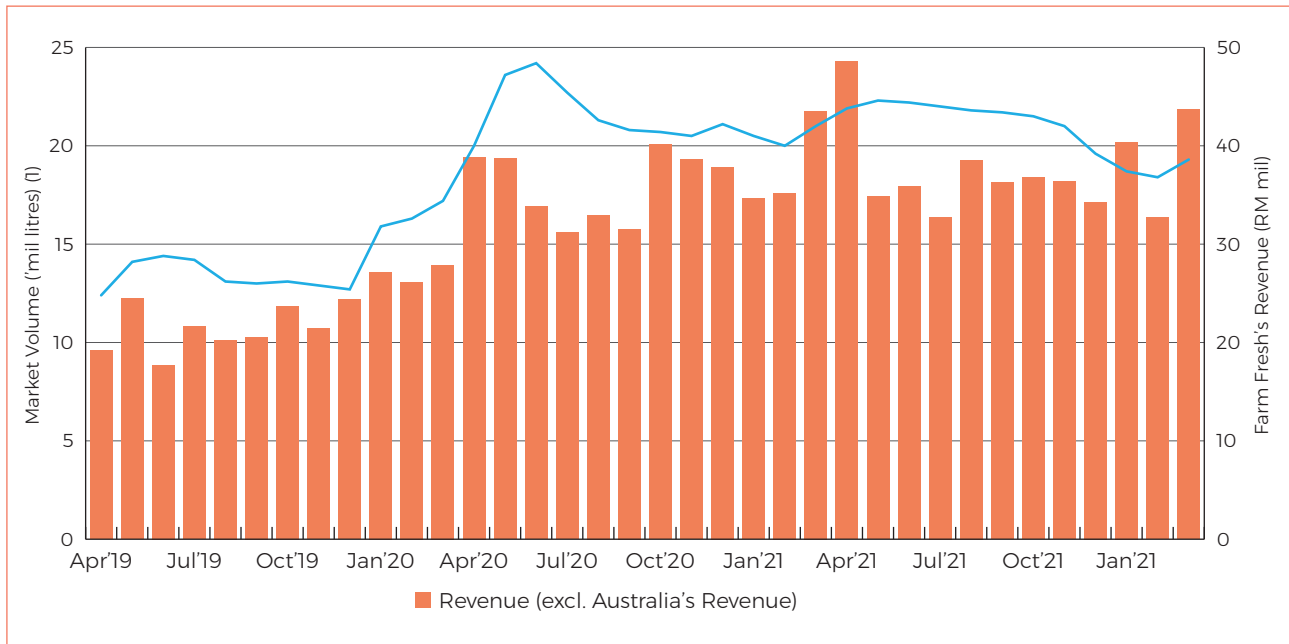
^{*} The Board of Directors has recommended a single-tier final dividend of 1.07 sen per ordinary share amounting to RM20.0 million in respect of FY2022 subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

[®] Calculated using Normalised PAT.

5-YEAR FINANCIAL HIGHLIGHTS



GROUP FINANCIAL SNAPSHOT



Revenue growth vis-à-vis Malaysia RTD market (Note 1: Source from Kantar, May 2022)

FY2022 saw declining demand within Malaysia's Ready to Drink (RTD) market due to normalisation following the high demand surge during end-March 2020 to end-June 2020 that arose from panic buying and stocking up by consumers. While this moderation in demand resulted in other industry players losing market share, the Group bucked the trend to record an uptick in our share of the overall RTD market from 20.9% in March 2021 to 23.2% in March 2022, which has contributed to a 2.3% growth in FY2022 revenue.

Demonstrating resilience amidst the protracted COVID-19 pandemic, the Group delivered a robust performance in FY2022 and recorded a total revenue of RM501.9 million, EBITDA of RM104.1 million and a PATAMI of RM79.9 million.

GROUP REVENUE

- The Group recorded a 2.3% increase in revenue, improving from RM490.5 million in FY2021 to RM501.9 million in FY2022.
- The primary catalyst for this growth is attributable to the 3.8% or RM16.8 million increase in Malaysian revenue, which was driven by higher recruitment of new customers, higher sales of our RTD milk products and the launching of new products.

- This increase is partly offset by the decline in Australian revenue by 10.4%, or RM5.4 million, due to the ceasing of raw milk sales by our Australian farm to third parties and downsizing of the IXL fruit jam business under the Henry Jones brand.

EBITDA

- Group EBITDA increased by 5.4% from RM98.8 million in FY2021 to RM104.1 million in FY2022.
- EBITDA growth was fuelled by higher sales and higher fair value gains arising from an increase in the valuation of our dairy cows of RM9.9 million, contributed by the increase in Australian dairy cow prices.

PAT/PATAMI

- The Group recorded an increase in PAT and PATAMI of 139.3% and 120.5% respectively in FY2022, mainly due to the Additional Tax Liability (refer to Note 9 of audited financial statement) of RM25,708,582 in respect of our Larkin Facility for the relevant YAs from 2014 to 2020 and RM10,490,033 for YA 2021, which had been recognised during the financial year ended 31 March 2021, and subsequently reversed in the financial year ended 31 March 2022.

GROUP FINANCIAL POSITION

As at 31 March 2022, the Group maintains a healthy financial position with a cash and bank balance of RM28.1 million and a debt to equity gearing ratio of 0.48 times.

TOTAL ASSETS INCREASED BY RM387.8 MILLION

- Property, plant and equipment (PPE) and biological assets increased by RM32.5 million and RM26.3 million respectively, mainly due to the construction of a new dairy farm and herd expansion in Perak, as well as the fair value gains of our dairy cows of RM9.9 million.
- Inventories increased by RM13.8 million, primarily due to a higher proportion of ingredients being kept as a buffer to mitigate against potential supply chain disruptions triggered by COVID-19.
- Cash, cash equivalents and other investments (Money Market Fund) increased sharply by RM297.0 million resulting from the issuance of RM200.0 million Sukuk Wakalah in May 2021 and receipt of RM301.0 million IPO proceeds in end March 2022.

TOTAL LIABILITIES INCREASED BY RM17.8 MILLION

- Loans and borrowings increased by RM42.7 million due to the issuance of RM200.0 million Sukuk Wakalah on 28 May 2021, with a tenure of 5 years and at a 3.72% coupon rate per annum. Leveraging the Sukuk's proceeds, the Group also refinanced its outstanding borrowings of RM130.0 million.
- Current tax liabilities decreased by RM36.4 million due to the settlement of Additional Tax Liability in FY2022.

TOTAL EQUITY INCREASED BY RM370.0 MILLION

- The increase in equity from RM241.0 million as at FY2021 to RM611.0 million as at FY2022 is mainly attributable to:
 - i. Profit for the year of RM78.6 million; and
 - ii. Enlarged issued share capital in conjunction with the listing on the Main Market of Bursa Malaysia Securities Berhad with public issue of 222,954,700 new ordinary shares at a price of RM1.35 per share, which was partly offset by shares issuance expenses of RM8.2 million.

DEBT TO EQUITY RATIO AND CURRENT RATIO

The Group's debt to equity gearing ratio (gross borrowing including lease liabilities over total shareholder's equity) improved to 0.48 times as at 31 March 2022 compared to 1.03 times in the previous year. This was mainly driven by:

- The increase in retained earnings arising from the profitability of the Group; and
- The aforementioned enlarged issued share capital in conjunction with the Company's listing on the Main Market of Bursa Malaysia.

The Group's current ratio improved to 3.61 times as at 31 March 2022 compared to 0.79 times in the previous year. The improvement was facilitated by:

- Refinancing of current shareholder loan, term loans and hire purchase liabilities with the Sukuk proceeds; and
- IPO proceeds of RM301.0 million in conjunction with the Company's listing on the Main Market of Bursa Malaysia.

FINANCIAL CALENDAR



February

28 February 2022

Prospectus launch and Opening of Application for Initial Public Offering



March

18 March 2022

Quarterly announcement on consolidated results for the financial period ended 31 December 2021

22 March 2022

Farm Fresh Berhad debuts on the Main Market of Bursa Malaysia, closing at RM1.72 with 330 million shares traded



May

24 May 2022

Quarterly announcement on consolidated results for the financial period ended 31 March 2022



July

28 July 2022

Announcement on the notice of Annual General Meeting for the financial year ended 31 March 2022

29 July 2022

Issuance of Annual Report for the financial year ended 31 March 2022 and Circular to Shareholders



August

29 August 2022

11th Annual General Meeting