



FRASER & NEAVE HOLDINGS BHD.
(Company No: 004205-V, Incorporated in Malaysia)

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For immediate release

QUARTERLY FINANCIAL REPORT

Third Quarter Ended 30 June 2018

The Directors are pleased to release the unaudited quarterly financial report for the quarter and nine months ended 30 June 2018.

The contents of the financial report comprise the following attached unaudited condensed consolidated financial statements, explanatory notes and additional disclosures and these must be read in conjunction with the Group's audited financial statements for the year ended 30 September 2017:

- Schedule A : Unaudited Condensed Consolidated Income Statement
- Schedule B : Unaudited Condensed Consolidated Statement of Comprehensive Income
- Schedule C : Unaudited Condensed Consolidated Statement of Financial Position
- Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows
- Schedule E : Unaudited Condensed Consolidated Statement of Changes in Equity
- Schedule F : Selected Explanatory Notes
- Schedule G : Additional Disclosures

The unaudited quarterly financial report has been prepared in accordance with the accounting standard on interim financial reporting issued by the Malaysian Accounting Standards Board and contains additional disclosures prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Unless specified otherwise, the same accounting policies and methods of computation applied to the Group's financial statements for the previous year had been followed throughout this quarterly financial report.

By Order of the Board
Kuala Lumpur
2 August 2018

Schedule A : Unaudited Condensed Consolidated Income Statement

For the quarter and nine months ended 30 June 2018

RM'000	Individual 3 rd quarter			Cumulative 3 rd quarter		
	30/06/2018	30/06/2017	% chg	30/06/2018	30/06/2017	% chg
Revenue	1,029,747	1,041,277	-1.1%	3,113,219	3,125,099	-0.4%
Cost of sales	(683,705)	(704,505)		(2,074,558)	(2,047,725)	
Gross profit	346,042	336,772	2.8%	1,038,661	1,077,374	-3.6%
Other income/(expense)	2,473	(512)		13,059	15,572	
Operating expenses	(241,677)	(264,961)		(730,161)	(767,185)	
Operating profit	106,838	71,299	49.8%	321,559	325,761	-1.3%
Finance income	4,199	3,605		10,713	11,069	
Finance costs	(3,789)	(3,773)		(11,312)	(11,479)	
Share of results of a joint venture #	(2,542)	(47)		(4,888)	(304)	
Share of results of an associate ^	2,331	2,444		7,008	9,276	
Profit before tax (PBT)	107,037	73,528	45.6%	323,080	334,323	-3.4%
Taxation (Schedule G, Note 5)	(2,552)	(4,164)		(19,214)	(30,611)	
Profit after tax (PAT)	104,485	69,364	50.6%	303,866	303,712	0.1%
Attributable to:						
Equity holders of the Company	104,495	69,372		303,894	303,729	
Non-controlling interests	(10)	(8)		(28)	(17)	
Profit after tax	104,485	69,364		303,866	303,712	
Basic earnings per share (sen) attributable to equity holders of the Company	28.5	18.9		82.8	82.9	
Diluted earnings per share (sen) attributable to equity holders of the Company	28.4	18.9		82.4	82.6	

The share of results of a joint venture for the quarter refers to Vacaron Company Sdn Bhd and is derived from its unaudited management accounts for the quarter and nine months ended 30 June 2018.

^ The share of results of an associate for the quarter refers to Coccoland Holdings Berhad and is derived from its unaudited quarterly announcement for the quarter ended 31 March 2018 dated 24 May 2018. The cumulative results are the sum total of its quarterly results recognised by the Group for the nine months ended 31 March 2018.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income

For the quarter and nine months ended 30 June 2018

RM'000	Individual 3 rd quarter			Cumulative 3 rd quarter		
	30/06/2018	30/06/2017	% chg	30/06/2018	30/06/2017	% chg
Profit after tax	104,485	69,364	50.6%	303,866	303,712	0.1%
Other comprehensive income, net of tax:						
<i>Item that is or may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of foreign operations	(5,801)	(11,317)		(19,125)	29,643	
Total comprehensive income	98,684	58,047	70.0%	284,741	333,355	-14.6%
Total comprehensive income attributable to:						
Equity holders of the Company	98,694	58,055		284,769	333,372	
Non-controlling interests	(10)	(8)		(28)	(17)	
	98,684	58,047	70.0%	284,741	333,355	-14.6%

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2017.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

RM'000	30/06/2018	30/09/2017
Non-current assets		
Property, plant and equipment	1,251,664	1,193,851
Investment properties	49,315	49,315
Properties held for development	56,047	56,047
Investment in a joint venture <i>(Schedule F, Note 8)</i>	89,268	89,822
Investment in an associate <i>(Schedule F, Note 9)</i>	82,689	83,768
Intangible assets	121,355	122,218
Deferred tax assets	26,400	25,726
	1,676,738	1,620,747
Current assets		
Inventories	497,951	540,716
Trade and other receivables	648,645	620,185
Current tax asset	13,739	25,280
Derivative financial assets	514	137
Cash and short term deposits	521,135	424,433
	1,681,984	1,610,751
Total assets	3,358,722	3,231,498
Equity		
Share capital and reserves	2,208,120	2,132,558
Non-controlling interests	144	172
Total equity	2,208,264	2,132,730
Non-current liabilities		
Loans and borrowings	109,675	181,639
Employee benefits	39,724	38,070
Deferred tax liabilities	31,033	29,944
	180,432	249,653
Current liabilities		
Trade and other payables	596,582	636,090
Loans and borrowings	367,023	197,458
Current tax liabilities	6,169	14,020
Derivative financial liabilities	252	1,547
	970,026	849,115
Total liabilities	1,150,458	1,098,768
Total equity and liabilities	3,358,722	3,231,498
Net assets per share (RM) attributable to owners of the Company	6.02	5.82

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2017.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the nine months ended 30 June 2018

RM'000	Cumulative 3 rd quarter	
	30/06/2018	30/06/2017
Cash flows from operating activities		
Profit before tax	323,080	334,323
Add non-cash items:		
- Depreciation and amortisation	67,591	68,643
- Impairment of property, plant and equipment	500	-
- Net impairment loss on receivables	(61)	-
- Inventories written down	3,261	640
- Inventories written off	2,576	7,392
- Share-based payment transactions expense	4,257	6,370
- Property, plant and equipment written off	2,062	1,120
- Reversal of provisions for litigation claims	-	(5,749)
- Net loss on disposal of property, plant and equipment	31	781
- Net fair value (gain)/loss on derivatives	(1,672)	713
- Finance income	(10,713)	(11,069)
- Finance costs	11,312	11,479
- Share of results of a joint venture	4,888	304
- Share of results of an associate	(7,008)	(9,276)
- Others	1,756	1,197
Changes in working capital #	(31,197)	(244,834)
Tax paid	(15,522)	(26,757)
Net cash from operating activities	355,141	135,277
Cash flows from investing activities		
Interest received	6,111	7,804
Dividend received	8,087	6,221
Loan to a joint venture	-	(2,000)
Proceeds from disposal of property, plant and equipment	486	500
Purchase of property, plant and equipment	(139,271)	(96,166)
Purchase of intangible assets	(190)	(159)
Net cash used in investing activities	(124,777)	(83,800)
Cash flows from financing activities		
Dividend paid	(210,761)	(210,761)
Interest paid	(11,626)	(12,401)
Proceeds from/(Repayment of) borrowings	97,601	(25,643)
Purchase of shares by Share Grant Plan ("SGP") Trust	(1,978)	(5,183)
Net cash used in financing activities	(126,764)	(253,988)
Net increase/(decrease) in cash and cash equivalents	103,600	(202,511)
Effects of foreign exchange rate changes	(6,898)	12,338
Cash and cash equivalents at 1 October	424,433	593,554
Cash and cash equivalents at 30 June	521,135	403,381
Cash and cash equivalents comprise:		
Cash and bank balances	205,435	216,012
Short term deposits with licensed banks with a maturity period of 3 months or less	315,700	187,369
Cash and short term deposits	521,135	403,381

Included the interest amounting to RM4,334,000 (2017: RM4,186,000) accrued on loan to a joint venture.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2017.

Schedule E : Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the nine months ended 30 June 2018

RM'000	Attributable to owners of the Company										Non-controlling interests	Total equity
	Non-distributable					Distributable						
	Share capital	Share premium	Treasury shares	Shares held by SGP Trust (Note b)	Loss on purchase of shares for SGP (Note c)	Foreign exchange reserve	Share-based payment reserve	Legal reserve	Retained earnings	Total		
At 1 October 2017	816,770	-	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,218,891	2,132,558	172	2,132,730
Total comprehensive income	-	-	-	-	-	(19,125)	-	-	303,894	284,769	(28)	284,741
Transactions with owners:												
Issuance of shares upon vesting of SGP	-	-	-	10,878	(3,974)	-	(6,904)	-	-	-	-	-
Purchase of shares by SGP Trust	-	-	-	(1,978)	-	-	-	-	-	(1,978)	-	(1,978)
Employee share-based payment expense	-	-	-	-	-	-	3,532	-	-	3,532	-	3,532
Dividend paid	-	-	-	-	-	-	-	-	(210,761)	(210,761)	-	(210,761)
Total transactions with owners	-	-	-	8,900	(3,974)	-	(3,372)	-	(210,761)	(209,207)	-	(209,207)
At 30 June 2018	816,770	-	(1,716)	(3,179)	(6,066)	66,785	13,568	9,934	1,312,024	2,208,120	144	2,208,264
At 1 October 2016	366,779	449,991	(1,716)	(12,060)	(797)	55,734	15,416	9,934	1,105,679	1,988,960	202	1,989,162
Total comprehensive income	-	-	-	-	-	29,643	-	-	303,729	333,372	(17)	333,355
Transactions with owners:												
Issuance of shares upon vesting of SGP	-	-	-	8,987	(1,295)	-	(7,692)	-	-	-	-	-
Purchase of shares by SGP Trust	-	-	-	(5,183)	-	-	-	-	-	(5,183)	-	(5,183)
Employee share-based payment expense	-	-	-	-	-	-	6,370	-	-	6,370	-	6,370
Dividend paid	-	-	-	-	-	-	-	-	(210,761)	(210,761)	-	(210,761)
Transition to no-par value regime on 31 Jan 2017 (Note a)	449,991	(449,991)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	449,991	(449,991)	-	3,804	(1,295)	-	(1,322)	-	(210,761)	(209,574)	-	(209,574)
At 30 June 2017	816,770	-	(1,716)	(8,256)	(2,092)	85,377	14,094	9,934	1,198,647	2,112,758	185	2,112,943

Note a: In accordance with section 74 of the Companies Act, 2016, the Company's shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In accordance with the transitional provisions set out in section 618 of the Companies Act, 2016, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have twenty-four months upon the commencement of Companies Act, 2016 to utilise the credit. During the previous financial year, the Company had utilised none of the credit of the share premium account which had become part of the share capital.

Note b: The "Shares held by SGP Trust" relates to shares purchased by the Company for the SGP.

Note c: Upon vesting of share awards, there will be a difference between total purchase price paid by SGP Trust to acquire the shares from the open market and the fair value of the share awards granted to employees of subsidiaries. This difference will be consolidated into Group's consolidated financial statements as a deduction from equity and classified as "loss on purchase of shares for SGP" reserve.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134

1. Corporate information

Fraser & Neave Holdings Bhd (“F&NHB” or “the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements of the Group (“interim financial statements”) as at and for the nine months ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the Group) and the Group’s interest in an associate and a joint venture.

These interim financial statements were approved by the Board of Directors on 2 August 2018.

2. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These interim financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2017.

The audited consolidated financial statements of the Group for the year ended 30 September 2017 are available upon request from the Company’s registered office at Level 3A, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur, Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 September 2017. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 September 2017.

The accounting policies and presentation applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 30 September 2017.

3. Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group’s and the Company’s financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual Improvements to MFRSs 2014-2016 Cycle

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

3. Standards issued but not yet effective (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15 *Revenue from Contracts with Customers*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* *
- Amendments to MFRS 140 *Transfer of Investment Property*
- Annual Improvements to MFRSs 2014-2016 Cycle

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 119 *Employee Benefits*
- Annual Improvements to MFRSs 2015-2017 Cycle

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts* *

MFRSs, interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

* *not applicable*

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

3. Standards issued but not yet effective (cont'd)

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group does not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group does not expect that the application of the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets.

The Group has established a structured implementation programme which includes establishing a project team, training programme and undertaking impact assessment to ensure readiness and smooth implementation of MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 sets a new guidance for revenue accounting. It supersedes MFRS 111 *Construction Contracts*, MFRS 118 and all revenue-related interpretations: Revenue, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*.

The Group has established a structured implementation programme which includes training programme, reviewing of contracts, undertaking impact assessment, changes to system and process, as well as engaging with relevant experts within the Group. The Group has established a steering committee and a cross-functional project team comprising members from the finance function, commercial operations and other relevant functions to manage the implementation of MFRS 15.

Currently, the Group's contracts with customers contain several components other than product sales. Each of these components is either recognised as revenue or operating or marketing expenses. The Group is currently assessing the initial application of MFRS 15 on its financial statements. With the adoption of MFRS 15, certain components which are currently recognised as expenses would be reclassified to net off against revenue.

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group has established a structured implementation programme which includes establishing a project team, training programme, review of lease agreements, undertaking impact assessment and changes to system and process to ensure readiness and smooth implementation of MFRS 16.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

4. Auditors' report

The auditors' report of the preceding annual financial statements of the Company and of the Group was not subject to any qualification.

5. Comment on seasonality or cyclicity of operation

The Group's performance is normally not affected by seasonal or cyclical events on a year to year basis. However, on a quarter to quarter basis, the demand for certain products such as soft drinks and evaporated milk may be skewed towards major festivities and weather pattern.

6. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2018.

7. Significant estimates and changes in estimates

There were no significant estimates or changes in estimates that have had any material effect on the results of the current quarter.

8. Investment in a joint venture

RM'000	30/06/2018	30/09/2017
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	(13,729)	(8,841)
	(13,229)	(8,341)
Shareholder's loan	126,820	126,820
Interest on shareholder's loan	30,969	26,635
	144,560	145,114
Less: Unrealised profit	(55,292)	(55,292)
	89,268	89,822

The summarised financial information of the joint venture is as follows:

RM'000	30/06/2018	30/09/2017
Total assets	289,460	290,581
Total liabilities	(315,937)	(307,282)

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Revenue	-	-	-	-
Loss	(5,084)	(94)	(9,776)	(608)

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

9. Investment in an associate

RM'000	<u>30/06/2018</u>	<u>30/09/2017</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	54,593	47,585
Dividend received	<u>(40,631)</u>	<u>(32,544)</u>
	<u>82,689</u>	<u>83,768</u>
Fair value of investment in an associate for which there is published price quotation	<u>140,598</u>	<u>174,192</u>

The summarised financial information of the associate is as follows:

RM'000	<u>30/06/2018</u>	<u>30/09/2017</u>
Total assets	305,522	277,154
Total liabilities	<u>(68,190)</u>	<u>(35,853)</u>

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	<u>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</u>	<u>30/06/2017</u>
Revenue	64,366	63,734	204,373	206,481
Profit	<u>8,573</u>	<u>8,988</u>	<u>25,774</u>	<u>34,115</u>

10. Issuance or repayments of debt/equity securities

There has been no issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the current quarter.

11. Dividend paid

The following dividends were declared and paid by the Company:

RM'000	<u>Date of payment</u>	<u>Sen per share</u>	<u>Total amount</u>
<u>Nine months ended 30 June 2018</u>			
Final 2017 ordinary dividends	9 February 2018	30.5	111,795
Interim 2018 ordinary dividends	7 June 2018	27.0	<u>98,966</u>
			<u>210,761</u>
<u>Nine months ended 30 June 2017</u>			
Final 2016 ordinary dividends	6 February 2017	30.5	111,795
Interim 2017 ordinary dividends	15 June 2017	27.0	<u>98,966</u>
			<u>210,761</u>

Please refer to Schedule G, Note 9 for dividend declared in this quarter.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

12. Segmental information

Segment results

For management purposes, the Group's operating businesses are organised according to products and services, namely Food and Beverages Malaysia ("F&B Malaysia"), Food and Beverages Thailand ("F&B Thailand"), Property and Others segments. Segment performance is evaluated based on operating profit. Inter-segment transactions and pricing arrangements, where applicable, are determined on a commercial basis. The results by segments for the current, preceding and last year same quarter are as follows.

RM'000	Revenue				Total
	F&B Malaysia	F&B Thailand	Property	Others	
<u>3rd quarter - 30/06/2018</u>					
Total revenue	594,061	438,954	797	22,722	1,056,534
Inter-segment	-	(3,541)	(588)	(22,658)	(26,787)
External	594,061	435,413	209	64	1,029,747
<u>3rd quarter - 30/06/2017</u>					
Total revenue	592,454	451,227	1,234	29,862	1,074,777
Inter-segment	(3)	(2,677)	(1,056)	(29,764)	(33,500)
External	592,451	448,550	178	98	1,041,277
<u>2nd quarter - 31/03/2018</u>					
Total revenue	581,826	434,754	752	20,556	1,037,888
Inter-segment	(26)	(2,298)	(533)	(20,489)	(23,346)
External	581,800	432,456	219	67	1,014,542
<u>Cumulative 3rd quarter - 30/06/2018</u>					
Total revenue	1,776,292	1,344,434	2,465	67,134	3,190,325
Inter-segment	(26)	(8,329)	(1,811)	(66,940)	(77,106)
External	1,776,266	1,336,105	654	194	3,113,219
<u>Cumulative 3rd quarter - 30/06/2017</u>					
Total revenue	1,783,474	1,349,727	3,522	91,087	3,227,810
Inter-segment	(5)	(8,973)	(2,980)	(90,753)	(102,711)
External	1,783,469	1,340,754	542	334	3,125,099

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

12. Segmental information (cont'd)

Segment assets

The total of segment assets is measured based on all assets excluding deferred tax assets, cash and short term deposits, joint venture and associate.

RM'000	<u>30/06/2018</u>	<u>30/09/2017</u>
F&B Malaysia	1,769,745	1,724,166
F&B Thailand	740,356	748,673
Property	117,729	117,759
Others	11,400	17,151
	<u>2,639,230</u>	<u>2,607,749</u>

Segment liabilities

The total of segment liabilities is measured based on all liabilities excluding deferred tax liabilities, provision for taxation and bank borrowings.

RM'000	<u>30/06/2018</u>	<u>30/09/2017</u>
F&B Malaysia	336,629	386,470
F&B Thailand	294,319	282,117
Property	662	1,143
Others	4,948	5,977
	<u>636,558</u>	<u>675,707</u>

13. Significant events

There were no significant events during the quarter.

14. Subsequent events

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

15. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter.

16. Contingent liabilities

There were no contingent liabilities of a material nature since the last annual reporting date.

17. Contingent assets

There were no contingent assets of a material nature since the last annual reporting date.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

18. Fair value hierarchy

The Group held foreign currency forward contracts carried at fair value based on Level 2: significant observable inputs for identical assets or liabilities as follows:

RM'000	Fair value	
	30/06/2018	30/09/2017
Derivative financial assets	514	137
Derivative financial liabilities	252	1,547

There was no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial asset that subsequently resulted in a different classification of that asset during the quarter.

The Group held investment properties amounting to RM49,315,000 (30 September 2017: RM49,315,000) carried at Level 3: significant unobservable inputs.

19. Capital and lease commitments

Capital commitments

The outstanding capital commitments are as follows:

RM'000	30/06/2018	30/09/2017
<u>Property, plant and equipment</u>		
Contracted but not provided for	144,857	111,079
Authorised but not contracted for	109,878	257,545
	<u>254,735</u>	<u>368,624</u>

Lease commitments

The balances of the non-cancellable operating lease rentals receivable and payable under rental agreements are as follows:

RM'000	30/06/2018	30/09/2017
<u>Non-cancellable operating lease commitments - Group as lessor</u>		
Future minimum rentals receivable:		
- Not later than 1 year	4,819	9,923
- Later than 1 year and not later than 5 years	1,502	766
	<u>6,321</u>	<u>10,689</u>
<u>Non-cancellable operating lease commitments - Group as lessee</u>		
Future minimum rentals payable:		
- Not later than 1 year	24,222	32,336
- Later than 1 year and not later than 5 years	16,517	27,669
- Later than 5 years	960	1,052
	<u>41,699</u>	<u>61,057</u>

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

20. Related party disclosures

Significant related party transactions

Related party transactions had been entered into in the ordinary course of business on normal commercial terms. The following are significant related party transactions:

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>				
Sales	(84,410)	(72,205)	(219,266)	(207,847)
Rental income	(81)	(81)	(241)	(270)
Purchases	38,716	42,584	123,461	138,611
Royalties paid	11,819	13,384	38,079	39,834
Internal audit fees paid	529	835	968	2,438
<u>Vacaron Company Sdn Bhd</u>				
Sales	-	-	-	(2)
Receipt of corporate service fees	(30)	7	(90)	(162)
Finance income	(1,479)	(1,401)	(4,334)	(4,186)
Shareholder's loan granted	-	-	-	2,000
<u>Cocoaland Holdings Berhad Group</u>				
Purchases	443	603	3,437	3,977
Dividend income	-	-	(8,087)	(6,221)
<u>Thai Beverage Public Company Limited Group</u>				
Sales	(308)	(265)	(1,004)	(751)
Purchases	181	1,705	2,048	6,518
Marketing expenses	8,045	16,427	18,323	35,746
<u>Berli Jucker Public Company Limited Group</u>				
Sales	(11,358)	(13,931)	(39,199)	(35,845)
Purchases	2,219	4,449	20,125	23,083
Other expenses	67	68	212	211
<u>Other related parties of TCC Group</u>				
Sales	(77)	(89)	(271)	(818)
Purchases	9,632	8,587	30,937	22,024
Management fees	512	499	2,107	1,984
Insurance premium paid	-	107	2,547	2,745
Other expenses	28	38	98	240
<u>Permodalan Nasional Berhad ("PNB") Group *</u>				
Sales	(12,381)	(15,500)	(44,935)	(48,949)
Purchases	13,290	12,088	42,162	32,079
Rental of equipment paid	713	631	2,116	1,928
Other expenses	6	73	355	228
<u>Compensation</u>				
Compensation of key management personnel of the Group	3,754	4,138	12,122	13,806
Directors' fees	439	340	881	936

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

20. Related party disclosures (cont'd)

Related party balances

The related party balances are shown below:

RM'000	<u>30/06/2018</u>	<u>30/09/2017</u>
<u>Amount due from related parties</u>		
F&N Limited Group	66,525	102,305
Vacaron Company Sdn Bhd	157,810	153,455
Cocoaland Holdings Berhad Group	-	4
Thai Beverage Public Company Limited Group	3,137	487
Berli Jucker Public Company Limited Group	8,701	9,006
Other related parties of TCC Group	26	38
PNB Group	8,572	8,577
<u>Amount due to related parties</u>		
F&N Limited Group	(25,638)	(39,470)
Frasers Property Limited Group	(1)	(3)
Vacaron Company Sdn Bhd	-	(34)
Cocoaland Holdings Berhad Group	(141)	(936)
Thai Beverage Public Company Limited Group	(7,059)	(3,951)
Berli Jucker Public Company Limited Group	(897)	(2,793)
Other related parties of TCC Group	(3,459)	(3,855)
PNB Group	(6,404)	(1,987)

* PNB is deemed a related party to F&NHB by virtue of PNB holding 18,500,000 shares as of 30 June 2018 through Amanahraya Trustees Berhad, representing 5.05% equity interest in F&NHB and having representation on the Board of Directors of F&NHB.

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements

1. Operations review

Current quarter ended 30 June 2018 vs corresponding quarter ended 30 June 2017

Current quarter Group revenue declined marginally by 1.1% from RM1,041.3 million to RM1,029.7 million mainly due to lower revenue from F&B Thailand.

Profit before tax improved significantly by 45.6% from RM73.5 million to RM107.0 million with positive contribution from both F&B Malaysia and F&B Thailand.

- F&B Malaysia

F&B Malaysia current quarter revenue was on par with corresponding quarter, with a marginal growth of 0.3% (from RM592.5 million to RM594.1 million). Domestic sales for the quarter was affected by lower consumer spending and slower off-take post Hari Raya festive season, offset by double digit growth in exports.

F&B Malaysia operating profit, however, improved significantly by 102.8% from RM24.2 million to RM49.1 million, mainly due to:

- (i) operational cost savings and lower overheads (There were restructuring costs amounting to RM9.6 million in the corresponding quarter);
- (ii) favourable input cost for sugar for the quarter compared to corresponding quarter while other dairy-based input and packaging material costs are on the rise; and
- (iii) partly offset by higher advertising and promotions expenditure for the festive season.

- F&B Thailand

F&B Thailand revenue declined by 2.9% from RM448.6 million to RM435.4 million due to:

- (i) continuing challenging domestic market conditions exacerbated by intensive price competition; and
- (ii) partly mitigated by higher export sales.

However, operating profit for F&B Thailand improved by 11.4% from RM51.5 million to RM57.4 million mainly due to favourable input and packaging material costs for the quarter.

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

1. Operations review (cont'd)

Cumulative three quarters vs corresponding period last year

Group revenue for nine months ended 30 June 2018 eased marginally by 0.4% from RM3,125.1 million to RM3,113.2 million. Group profit before tax declined by 3.4% from RM334.3 million to RM323.1 million, an improvement from the decline of 17.2% recorded in the first half year compared to corresponding period last year.

• F&B Malaysia

F&B Malaysia revenue declined marginally by 0.4% to RM1,776.3 million compared with the corresponding period last year mainly due to the following factors:

- (i) market contraction in the beverages product categories in Malaysia;
- (ii) floods in peninsular Malaysia and Sabah in the 1st quarter; and
- (iii) mitigated by the double-digit growth in F&B Malaysia exports.

F&B Malaysia operating profit declined by 1.5% for the cumulative three quarters to RM130.2 million. The decline has narrowed from 24.9% for the 1st half year compared to corresponding period last year. This was due to:

- (i) operational cost savings and lower overheads (There were restructuring costs amounting to RM17.1 million in the corresponding period last year);
- (ii) favourable input cost for sugar and partially offset by higher costs for other dairy-based input and packaging material costs; and
- (iii) partly offset by unfavourable foreign currency impact from volatile MYR/US Dollar affected the exports revenue; and
- (iv) higher advertising and promotions expenditure.

• F&B Thailand

F&B Thailand revenue eased marginally by 0.3% compared with the corresponding period last year from RM1,340.8 million to RM1,336.1 million. Double-digit growth in exports to Indochina region mitigated:

- (i) the impact of challenging domestic landscape due to intensifying competition; and
- (ii) loss of UHT milk revenue caused by product shortage resulting from a co-manufacturer's plant that was damaged by fire in November 2017 (sale of UHT milk products recommenced in May 2018).

F&B Thailand operating profit was flat at RM196.3 million, an improvement from a decline of 4.1% for the 1st half year. The improvement was contributed by:

- (i) the improvement in input and packaging material costs in the current quarter; and
- (ii) lower advertising and promotions spend.

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

2. Comment on material change in Group profit before tax for the quarter ended 30 June 2018 vs preceding 2nd quarter ended 31 March 2018

Current quarter Group revenue grew by 1.5% to RM1,029.7 million compared to preceding quarter due to higher revenue for F&B Malaysia.

Profit before tax grew by 6.1% from RM100.9 million to RM107.0 million compared to preceding quarter.

- F&B Malaysia

F&B Malaysia revenue grew by 2.1% to RM594.1 million compared to the preceding quarter mainly due to higher exports in the 3rd quarter.

F&B Malaysia operating profit increased by 23.1% to RM49.1 million assisted by favourable input cost for sugar.

- F&B Thailand

F&B Thailand revenue grew marginally by 0.7% to RM435.4 million compared to the preceding quarter from higher export sales.

However, operating profit declined by 13.2% to RM57.4 million mainly due to higher spending in advertising and promotions and partially mitigated by favourable input and packaging material costs.

3. Prospects

The business environment in Thailand will continue to be challenging with intensifying competitive price pressure. In Malaysia, the management will monitor the impact of the reintroduction of the sales and services tax on 1 September 2018 on the pricing of the products.

Meanwhile, raw and packaging material prices in subsequent quarters are expected to remain volatile following the uptrends in packaging and milk-based commodity prices; compounded by the continuing high level of oil prices. The Group has hedged its core commodity requirements for the financial year along with the corresponding foreign currency exposure wherever possible.

Operational cost savings from the transformation initiatives and efficiency through process improvement are expected to continue to contribute positively to the Malaysian operations in the coming quarters.

The Group will continue to leverage on innovations to deliver new and unique product offerings while focusing on meeting consumers' evolving needs toward healthier beverage choices, convenience and affordability.

The Board and management will continue to remain vigilant and take decisive actions in managing the changes in external environment to ensure sustainable growth for our business.

4. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the current quarter in a public document.

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

5. Taxation

The details of the tax expense are as follows:

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Current income tax	7,920	7,688	21,557	30,708
Deferred tax – origination and reversal of temporary differences	2,603	(1,342)	7,363	2,181
Overprovision in respect of previous years				
- Income tax	(2,216)	(863)	(2,244)	(863)
- Deferred tax	(5,755)	(1,319)	(7,462)	(1,415)
	<u>2,552</u>	<u>4,164</u>	<u>19,214</u>	<u>30,611</u>

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Profit before tax	<u>107,037</u>	<u>73,528</u>	<u>323,080</u>	<u>334,323</u>
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	25,689	17,647	77,539	80,238
Different tax rates in other countries	(2,895)	(2,607)	(9,584)	(9,589)
Income not subject to tax	(12,319)	(11,720)	(43,452)	(46,571)
Expenses not deductible for tax purposes	671	1,903	2,952	7,506
Recognition of previously unrecognised tax losses	(3,026)	(3)	(4,446)	(5,404)
Deferred tax assets not recognised	1,374	1,542	4,707	5,882
Overprovision in respect of previous years				
- Income tax	(2,216)	(863)	(2,244)	(863)
- Deferred tax	(5,755)	(1,319)	(7,462)	(1,415)
Foreign withholding tax	979	159	1,713	2,980
Share of results of a joint venture	610	11	1,173	73
Share of results of an associate	(560)	(586)	(1,682)	(2,226)
Total income tax expense	<u>2,552</u>	<u>4,164</u>	<u>19,214</u>	<u>30,611</u>
Effective income tax rate	<u>2.4%</u>	<u>5.7%</u>	<u>5.9%</u>	<u>9.2%</u>

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

6. Status of corporate proposals

There were no outstanding corporate proposals or announcements made in the current quarter.

7. Group borrowings and debt securities

The details of the Group's borrowings are as follows:

RM'000	Currency	30/06/2018	30/09/2017
<u>Current (unsecured)</u>			
Medium term notes ("MTN")	RM	300,000	150,000
Loans	THB	67,023	47,458
		367,023	197,458
<u>Non-current (unsecured)</u>			
MTN	RM	-	150,000
Loans	THB	109,675	31,639
		109,675	181,639
		476,698	379,097

On 26 September 2013 and 7 October 2013, a subsidiary of the Company, F&N Capital Sdn Bhd issued MTN of RM150 million each with the tenure of five (5) years from the issue date. These MTN bear interest at rates of 4.38% and 4.24% per annum respectively and are payable semi-annually in arrears.

On 1 December 2015 and 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited ("FNDDT"), was granted term loans of Baht 1,000,000,000 each with the tenure of three (3) years from the issued date and interest rates of 2.35% and 2.44% per annum respectively.

On 7 June 2018, FNDDT was granted a short-term loan of Baht 200,000,000 with the tenure of six (6) months and interest rate of 1.83% per annum.

8. Material litigation

There is no material litigation to be disclosed in these interim financial statements.

9. Dividend declared in this quarter

On 3 May 2018, the Directors have declared an interim single tier dividend of 27 sen per share (2017: 27 sen) for the financial year ending 30 September 2018. This dividend amounting to approximately RM99.0 million was paid on 7 June 2018 (entitlement date for the dividend was 18 May 2018).

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

10. Earnings per share (EPS)

- (a) The basic EPS were computed by dividing the Group attributable profit to owners of the Company by the weighted average number of ordinary shares in issue (net of treasury shares and shares held by SGP Trust).

	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Group attributable profit to shareholders of the Company (RM'000)	<u>104,495</u>	<u>69,372</u>	<u>303,894</u>	<u>303,729</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,433	366,356	367,222	366,246
Basic earnings per share (sen)	<u>28.5</u>	<u>18.9</u>	<u>82.8</u>	<u>82.9</u>

- (b) The diluted EPS were computed by dividing the Group attributable profit to owners of the Company by the weighted average number of ordinary shares in issue (net of treasury shares and shares held by SGP Trust), adjusted for the dilutive effects of potential ordinary shares, i.e. share grants granted pursuant to the SGP.

	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Group attributable profit to shareholders of the Company (RM'000)	<u>104,495</u>	<u>69,372</u>	<u>303,894</u>	<u>303,729</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,433	366,356	367,222	366,246
Adjustments pursuant to the SGP ('000)	<u>1,503</u>	<u>1,426</u>	<u>1,503</u>	<u>1,426</u>
Adjusted weighted average number of ordinary shares net of treasury shares ('000)	<u>367,936</u>	<u>367,782</u>	<u>368,725</u>	<u>367,672</u>
Diluted earnings per share (sen)	<u>28.4</u>	<u>18.9</u>	<u>82.4</u>	<u>82.6</u>

Schedule G : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

11. Notes to the Condensed Consolidated Income Statement

Profit before tax is arrived at after charging/(crediting) the following items:

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
(a) Depreciation and amortisation	22,786	21,722	67,591	68,643
(b) Impairment loss/(Reversal of impairment loss) on property, plant and equipment	425	(124)	275	(968)
(c) Reversal of impairment loss on receivables	(204)	-	(61)	-
(d) Bad debts recovered	(20)	(1)	(22)	(23)
(e) Bad debts written off	-	-	-	-
(f) (Reversal of inventories)/Inventories written down	(97)	675	3,261	640
(g) Inventories written off	367	2,839	2,576	7,392
(h) Net loss on disposal/write-offs of property, plant and equipment/intangible assets	180	989	2,093	1,901
(i) Net (gain)/loss on foreign exchange	(2,242)	10,797	9,388	10,131
(j) Net (gain)/loss on forward foreign exchange contracts	(1,242)	(345)	(1,672)	713

12. Outstanding derivatives

(a) Outstanding derivatives consist of foreign exchange contracts which are measured at fair value together with their corresponding notional value amounts as follows:

RM'000	30/06/2018	30/09/2017
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	23,183	79,571
- Fair value	262	(1,410)

There is no significant change for the financial derivatives in respect of the following since the year ended 30 September 2017:

- (i) The credit risk, market risk and liquidity risk associated with these financial derivatives;
- (ii) The cash requirements of the financial derivatives;
- (iii) The policy in place for mitigating or controlling the risks associated with these financial derivatives; and
- (iv) The related accounting policies.

(b) Disclosure of gains/loss arising from fair value changes of derivative financial instruments

During the nine months ended 30 June 2018, the Group recognised a total net gain of RM1,672,000 (2017: net loss of RM713,000) in the consolidated income statement arising from the fair value changes on the foreign exchange contracts which are marked-to-market as at 30 June 2018.