



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

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**For immediate release**

## **QUARTERLY FINANCIAL REPORT**

### First Quarter Ended 31 December 2018

The Directors are pleased to release the unaudited quarterly financial report for three months ended 31 December 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 2018:

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  
31 January 2019

**Schedule A : Unaudited Condensed Consolidated Income Statement**

For the three months ended 31 December 2018

RM'000	1 <sup>st</sup> quarter		% chg
	31/12/2018	31/12/2017 (Restated)	
Revenue	1,010,272	* 1,001,848	0.8%
Cost of sales	(690,370)	* (715,789)	
Gross profit	319,902	* 286,059	11.8%
Other income	2,624	5,144	
Operating expenses	(170,600)	* (176,342)	
Operating profit	151,926	114,861	32.3%
Finance income	3,437	3,216	
Finance costs	(1,668)	(3,749)	
Share of profit of equity-accounted associate, net of tax ^	1,893	1,944	
Share of loss of equity-accounted joint venture, net of tax #	(1,530)	(1,140)	
Profit before tax	154,058	115,132	33.8%
Tax expense (Schedule G, Note 5)	(31,205)	(8,307)	
<b>Profit after tax</b>	<b>122,853</b>	<b>106,825</b>	<b>15.0%</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company	122,862	106,834	
Non-controlling interests	(9)	(9)	
Profit after tax	122,853	106,825	
Basic earnings per ordinary share (sen)	33.5	29.2	
Diluted earnings per ordinary share (sen)	33.4	29.0	

\* The comparatives for the quarter ended 31 December 2018 have been restated as disclosed in Schedule F, Note 21.

^ The share of results of an associate for the quarter refers to Cocoland Holdings Berhad and is derived from its unaudited quarterly announcement for the quarter ended 30 September 2018 dated 26 November 2018.

# 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 ended 31 December 2018.

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 2018.

**Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income**

For the three months ended 31 December 2018

RM'000	1 <sup>st</sup> quarter		% chg
	31/12/2018	31/12/2017	
Profit for the year	122,853	106,825	15.0%
<b>Other comprehensive income, net of tax:</b>			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations	(1,327)	(11,133)	
<b>Total comprehensive income for the year</b>	<b>121,526</b>	<b>95,692</b>	<b>27.0%</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	121,535	95,701	
Non-controlling interests	(9)	(9)	
	121,526	95,692	27.0%

**Schedule C : Unaudited Condensed Consolidated Statement of Financial Position**

As at 31 December 2018

RM'000	31/12/2018 (Unaudited)	30/09/2018 (Restated)	1/10/2017 (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	1,283,105	1,281,679	1,193,851
Investment properties	49,318	49,318	49,315
Properties held for development	56,047	56,047	56,047
Intangible assets	121,715	122,289	122,218
Investment in an associate <i>(Schedule F, Note 8)</i>	82,412	84,252	83,768
Investment in a joint venture <i>(Schedule F, Note 9)</i>	89,060	89,094	89,822
Deferred tax assets	7,853	13,070	25,726
	<u>1,689,510</u>	<u>1,695,749</u>	<u>1,620,747</u>
<b>Current assets</b>			
Trade and other receivables	633,778	604,644	620,185
Inventories	529,498	497,165	540,716
Current tax asset	7,143	10,548	25,280
Derivative financial assets	-	60	137
Cash and cash equivalents	420,179	537,092	424,433
	<u>1,590,598</u>	<u>1,649,509</u>	<u>1,610,751</u>
<b>Total assets</b>	<u>3,280,108</u>	<u>3,345,258</u>	<u>3,231,498</u>
<b>Equity</b>			
Share capital and reserves	2,424,909	* 2,305,416	* 2,124,223
Non-controlling interests	126	135	172
<b>Total equity</b>	<u>2,425,035</u>	<u>2,305,551</u>	<u>2,124,395</u>
<b>Non-current liabilities</b>			
Loans and borrowings <i>(Schedule G, Note 7)</i>	101,947	115,153	181,639
Employee benefits	40,240	40,176	38,070
Deferred tax liabilities	28,540	28,716	29,944
	<u>170,727</u>	<u>184,045</u>	<u>249,653</u>
<b>Current liabilities</b>			
Provisions	-	-	7,405
Trade and other payables	631,414	* 627,230	* 637,020
Loans and borrowings <i>(Schedule G, Note 7)</i>	25,487	220,371	197,458
Current tax liabilities	26,977	7,921	14,020
Derivative financial liabilities	468	140	1,547
	<u>684,346</u>	<u>855,662</u>	<u>857,450</u>
<b>Total liabilities</b>	<u>855,073</u>	<u>1,039,707</u>	<u>1,107,103</u>
<b>Total equity and liabilities</b>	<u>3,280,108</u>	<u>3,345,258</u>	<u>3,231,498</u>
Net assets per share (RM) attributable to owners of the Company	<u>6.62</u>	<u>6.29</u>	<u>5.80</u>

\* The comparatives for the quarter ended 31 December 2018 have been restated as disclosed in Schedule F, Note 21.

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 2018.

**Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows**

For the three months ended 31 December 2018

RM'000	1 <sup>st</sup> quarter	
	31/12/2018	31/12/2017
<b>Cash flows from operating activities</b>		
Profit before tax	154,058	115,132
Add non-cash items:		
- Depreciation and amortisation	25,284	22,518
- Net reversal of impairment loss on property, plant and equipment	(29)	(76)
- Net impairment loss on receivables	131	-
- Net (reversal of inventories written down)/inventories written down	(5)	3,199
- Inventories written off	1,275	654
- Net gain on disposal of intangible assets	(4)	-
- Share-based payment transactions expense	1,810	2,244
- Property, plant and equipment written off	162	1,041
- Net loss on disposal of property, plant and equipment	18	42
- Net fair value loss on derivatives	389	279
- Finance income	(3,437)	(3,216)
- Finance costs	1,668	3,749
- Share of profit of equity-accounted associate, net of tax	(1,893)	(1,944)
- Share of loss of equity-accounted joint venture, net of tax	1,530	1,140
- Others	531	676
Changes in working capital #	(57,469)	2,028
Tax paid	(3,808)	(5,406)
<b>Net cash from operating activities</b>	<b>120,211</b>	<b>142,060</b>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	(32)	(42)
Acquisition of property, plant and equipment	(27,649)	(47,280)
Dividend received	3,733	-
Interest received	2,289	1,801
Proceeds from disposal of intangible assets	56	-
Proceeds from disposal of property, plant and equipment	33	82
<b>Net cash used in investing activities</b>	<b>(21,570)</b>	<b>(45,439)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(5,619)	(4,206)
Purchase of shares by Share Grant Plan ("SGP") Trust	(1,893)	-
Repayment of loans and borrowings	(207,345)	(16,957)
<b>Net cash used in financing activities</b>	<b>(214,857)</b>	<b>(21,163)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(116,216)</b>	<b>75,458</b>
<b>Effects of exchange rate fluctuations on cash and cash equivalents</b>	<b>(697)</b>	<b>(5,273)</b>
<b>Cash and cash equivalents at 1 October</b>	<b>537,092</b>	<b>424,433</b>
<b>Cash and cash equivalents at 31 December</b>	<b>420,179</b>	<b>494,618</b>
Cash and cash equivalents comprise:		
Cash and bank balances	225,137	249,565
Short term deposits with licensed banks with a maturity period of 3 months or less	195,042	245,053
	<b>420,179</b>	<b>494,618</b>

# Included the interest amounting to RM1,496,000 (2018: RM1,416,000) 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 2018.

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

For the three months ended 31 December 2018

RM'000	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Shares held by SGP Trust (Note a)	Loss on purchase of shares for SGP (Note b)	Translation reserve	Share-based payment reserve	Legal reserve	Retained earnings			
<b>At 30 September 2018, as previously stated</b>	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,393,615	2,312,336	135	2,312,471
Adjustments from adoption of MFRS 15 *	-	-	-	-	-	-	-	(6,920)	(6,920)	-	(6,920)
<b>At 30 September 2018, restated</b>	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,386,695	2,305,416	135	2,305,551
Opening balance adjustments from adoption of MFRS 9 *	-	-	-	-	-	-	-	(2,003)	(2,003)	-	(2,003)
<b>At 1 October 2018, restated</b>	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,384,692	2,303,413	135	2,303,548
<b>Total comprehensive income</b>	-	-	-	-	(1,327)	-	-	122,862	121,535	(9)	121,526
<b>Transactions with owners:</b>											
Purchase of shares by SGP Trust	-	-	(1,893)	-	-	-	-	-	(1,893)	-	(1,893)
Employee share-based payment expense	-	-	-	-	-	1,854	-	-	1,854	-	1,854
Transfer of treasury shares	-	1,716	(1,716)	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	1,716	(3,609)	-	-	1,854	-	-	(39)	-	(39)
<b>At 31 December 2018</b>	816,770	-	(7,648)	(6,066)	86,088	18,277	9,934	1,507,554	2,424,909	126	2,425,035
<b>At 1 October 2017, as previously stated</b>	816,770	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,218,891	2,132,558	172	2,132,730
Adjustments from adoption of MFRS 15 *	-	-	-	-	-	-	-	(8,335)	(8,335)	-	(8,335)
<b>At 1 October 2017, restated</b>	816,770	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,210,556	2,124,223	172	2,124,395
<b>Total comprehensive income</b>	-	-	-	-	(11,133)	-	-	106,834	95,701	(9)	95,692
<b>Transactions with owners:</b>											
Employee share-based payment expense	-	-	-	-	-	1,793	-	-	1,793	-	1,793
<b>Total transactions with owners</b>	-	-	-	-	-	1,793	-	-	1,793	-	1,793
<b>At 31 December 2017</b>	816,770	(1,716)	(12,079)	(2,092)	74,777	18,733	9,934	1,317,390	2,221,717	163	2,221,880

\* Please refer to Schedule F, Note 21.

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

Note b: 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 three months ended 31 December 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 31 January 2019.

### 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 2018.

The audited consolidated financial statements of the Group for the year ended 30 September 2018 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 2018. 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 2018.

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 2018, except for the adoption of the following new and amended MFRS, and Issues Committee (IC) Interpretations mandatory for annual financial periods beginning on or after 1 October 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

\* not applicable

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

### 2. Basis of preparation (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.

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 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 has concluded that the application of the new classification requirement does not have any 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.

With the adoption of MFRS 9 by following the ECL model, the impairment loss of trade and other receivables has increased by RM2,003,000 as at 1 October 2018. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and thus this impairment loss is adjusted to the opening retained earnings as of 1 October 2018. The financial effects on initial adoption of MFRS 9 are shown in Schedule F, Note 21.

#### 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.

Prior to MFRS 15, the Group's contracts with customers contain product sales and also consideration payable to customers. Each of these components is either recognised as revenue or operating expenses. With the adoption of MFRS 15, the consideration payable to customers which are previously recognised as expenses would be required to be recognised as part of the transaction price and hence to be reclassified to net off against revenue. The Group has elected to apply MFRS 15 retrospectively during the current period. The financial effects on initial adoption of MFRS 15 are shown in Schedule F, Note 21.



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

### 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 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:

#### 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.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption 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 31 December 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 an associate

RM'000	<u>31/12/2018</u>	<u>30/09/2018</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	58,049	56,156
Dividend received	(44,364)	(40,631)
	<u>82,412</u>	<u>84,252</u>

Fair value of investment in an associate for which there is published price quotation

	<u>120,690</u>	<u>133,755</u>
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The summarised financial information of the associate is as follows:

RM'000	<u>31/12/2018</u>	<u>30/09/2018</u>
Total assets	274,791	283,657
Total liabilities	(38,476)	(40,573)

RM'000	<u>31/12/2018</u>	<u>31/12/2017</u>
	1 <sup>st</sup> quarter	
Revenue	65,499	63,697
Profit	<u>6,961</u>	<u>7,150</u>

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

9. Investment in a joint venture

RM'000	31/12/2018	30/09/2018
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	(16,929)	(15,399)
	(16,429)	(14,899)
Shareholder's loan	126,820	126,820
Interest on shareholder's loan	33,961	32,465
	144,352	144,386
Less: Unrealised profit	(55,292)	(55,292)
	89,060	89,094

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

RM'000	31/12/2018	30/09/2018
Total assets	289,093	289,136
Total liabilities	(321,971)	(318,954)

RM'000	31/12/2018	1 <sup>st</sup> quarter 31/12/2017
Revenue	-	-
Loss	(3,060)	(2,280)

10. Issuance or repayments of debt/equity securities

There has been no issuance, cancellation, repurchases and resale of debt and equity securities in the current quarter. Medium term note amounting to RM150,000,000 was repaid in the current quarter.

11. Dividends paid

No dividend has been paid 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	
<b><u>1<sup>st</sup> quarter - 31/12/2018</u></b>					
Total revenue	553,449	460,682	779	24,145	1,039,055
Inter-segment	-	(4,166)	(535)	(24,082)	(28,783)
External	553,449	456,516	244	63	1,010,272
<b><u>1<sup>st</sup> quarter - 31/12/2017</u></b>					
<b><u>(Restated)</u></b>					
Total revenue	556,069	447,980	916	23,856	1,028,821
Inter-segment	-	(2,490)	(690)	(23,793)	(26,973)
External	* 556,069	* 445,490	226	63	1,001,848
<b><u>4<sup>th</sup> quarter - 30/09/2018</u></b>					
<b><u>(Restated)</u></b>					
Total revenue	505,915	444,795	816	23,021	974,547
Inter-segment	-	(3,366)	(596)	(22,948)	(26,910)
External	* 505,915	* 441,429	220	73	947,637





**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 investments in associate and joint venture, deferred tax assets, current tax asset and cash and cash equivalent.

RM'000	<u>31/12/2018</u>	<u>30/09/2018</u>
F&B Malaysia	1,791,527	1,753,746
F&B Thailand	751,640	728,893
Property	117,416	117,574
Others	12,878	10,989
	<u>2,673,461</u>	<u>2,611,202</u>

**Segment liabilities**

The total of segment liabilities is measured based on all liabilities excluding loans and borrowings, deferred tax liabilities and current tax liabilities.

RM'000	<u>31/12/2018</u>	<u>30/09/2018</u> (Restated)
F&B Malaysia	376,056	* 360,340
F&B Thailand	292,970	301,323
Property	660	814
Others	2,436	5,069
	<u>672,122</u>	<u>667,546</u>

\* The comparatives for the quarter ended 31 December 2018 have been restated as disclosed in Schedule F, Note 21.

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	
	31/12/2018	30/09/2018
Derivative financial assets	-	60
Derivative financial liabilities	468	140

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 RM49,318,000 (30 September 2018: RM49,318,000) carried at Level 3: significant unobservable inputs.

19. Capital and lease commitments

**Capital expenditure commitments**

The outstanding capital commitments are as follows:

RM'000	31/12/2018	30/09/2018
<u>Property, plant and equipment</u>		
Contracted but not provided for	153,999	149,617
Authorised but not contracted for	129,665	122,384
	<u>283,664</u>	<u>272,001</u>

**Lease commitments**

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

RM'000	31/12/2018	30/09/2018
<u>Non-cancellable operating lease commitments - Group as lessor</u>		
Future minimum rentals receivable:		
- Less than one year	818	873
- Between one and five years	488	379
	<u>1,306</u>	<u>1,252</u>
<u>Non-cancellable operating lease commitments - Group as lessee</u>		
Future minimum rentals payable:		
- Less than one year	16,580	19,158
- Between one and five years	10,988	14,525
- More than five years	967	989
	<u>28,535</u>	<u>34,672</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	1 <sup>st</sup> quarter	
	31/12/2018	31/12/2017
<u>Fraser and Neave, Limited ("F&amp;N Limited") Group</u>		
Sales	59,051	69,501
Purchases	(45,006)	(31,280)
Royalties paid	(13,804)	(13,285)
<u>Vacaron Company Sdn Bhd</u>		
Finance income	1,496	1,416
<u>Cocoaland Holdings Berhad Group</u>		
Purchases	(5)	(1,295)
Dividend income	3,733	-
<u>Thai Beverage Public Company Limited Group</u>		
Purchases	(1,333)	(1,234)
Marketing expenses	(3,854)	(2,519)
<u>Berli Jucker Public Company Limited Group</u>		
Sales	15,371	15,082
Purchases	(7,302)	(6,534)
Other expenses	(2,419)	(75)
<u>Other related parties of TCC Group</u>		
Purchases	(11,113)	(11,022)
Management fees	(516)	(1,103)
<u>Compensation</u>		
Compensation of key management personnel of the Group	(3,583)	(5,000)
Directors' fees and remuneration	(286)	-

**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>31/12/2018</u>	<u>30/09/2018</u>
<u>Amount due from related parties</u>		
F&N Limited Group	39,984	69,177
Vacaron Company Sdn Bhd	160,788	159,295
Cocoaland Holdings Berhad Group	4	4
Thai Beverage Public Company Limited Group	5,882	8,887
Berli Jucker Public Company Limited Group	12,729	8,988
Other related parties of TCC Group	26	26
<u>Amount due to related parties</u>		
F&N Limited Group	(40,575)	(26,601)
Frasers Property Limited Group	(1)	(12)
Cocoaland Holdings Berhad Group	(6)	(8)
Thai Beverage Public Company Limited Group	(4,222)	(5,859)
Berli Jucker Public Company Limited Group	(5,661)	(4,109)
Other related parties of TCC Group	(3,751)	(3,617)

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

21. Change in comparatives

The comparatives for the quarter ended 31 December 2018 have been restated as follows:

RM'000	As previously stated	Adjustments		As restated
		(a) MFRS 9	(b) MFRS 15	
<b><u>Consolidated income statement:</u></b>				
<i><u>For the quarter ended 31 December 2017</u></i>				
Revenue	1,068,930	-	(67,082)	1,001,848
Cost of sales	(716,895)	-	1,106	(715,789)
Operating expenses	(242,318)	-	65,976	(176,342)
<b><u>Consolidated statement of financial position:</u></b>				
<i><u>As at 30 September 2018</u></i>				
Trade and other payables	620,310	-	6,920	627,230
Share capital and reserves	2,312,336	-	(6,920)	2,305,416
Retained earnings	1,393,615	-	(6,920)	1,386,695
<i><u>As at 1 October 2017</u></i>				
Trade and other payables	628,685	-	8,335	637,020
Share capital and reserves	2,132,558	-	(8,335)	2,124,223
<b><u>Consolidated statement of changes in equity:</u></b>				
<i><u>As at 1 October 2018</u></i>				
Retained earnings	1,393,615	(2,003)	(6,920)	1,384,692
<i><u>As at 1 October 2017</u></i>				
Retained earnings	1,218,891	-	(8,335)	1,210,556
<b><u>Segment revenue:</u></b>				
<i><u>For the quarter ended 31 December 2017</u></i>				
F&B Malaysia	600,405	-	(44,336)	556,069
F&B Thailand	468,236	-	(22,746)	445,490
<i><u>For the quarter ended 30 September 2018</u></i>				
F&B Malaysia	545,401	-	(39,486)	505,915
F&B Thailand	450,946	-	(9,517)	441,429
<b><u>Segment operating profit:</u></b>				
<i><u>For the quarter ended 30 September 2018</u></i>				
F&B Malaysia	36,544	-	1,415	37,959
<b><u>Segment liabilities:</u></b>				
<i><u>As at 30 September 2018</u></i>				
F&B Malaysia	353,420	-	6,920	360,340

(a) Adjustments pursuant to the adoption of MFRS 9 Financial Instruments.

(b) Adjustments pursuant to the adoption of MFRS 15 Revenue from Contracts with Customers.

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

### 1. Operations review

#### Current quarter ended 31 December 2018 vs corresponding quarter ended 31 December 2017

Group revenue for the current quarter grew marginally by 0.8%, from RM1,001.8 million to RM1,010.3 million. Group profit before tax rose by 33.8% from RM115.1 million to RM154.1 million, attributed to higher contribution from F&B Malaysia and F&B Thailand.

#### • F&B Malaysia

F&B Malaysia current quarter revenue declined marginally by 0.5% from RM556.1 million to RM553.4 million attributed to:

- (i) lower export revenue due to absence of a one-off contract packing business; mitigated by
- (ii) higher domestic revenue with the earlier Chinese New Year festive sell-in for beverage products and lower discounts.

However, F&B Malaysia operating profit has improved by 27.5% from RM41.2 million to RM52.5 million, mainly due to:

- (i) favourable input costs mainly for sugar, palm oil and dairy-based commodity; but
- (ii) partially offset by higher packaging material costs; and
- (iii) higher manufacturing related costs.

#### • F&B Thailand

F&B Thailand revenue rose by 2.5% from RM445.5 million to RM456.5 million driven by:

- (i) higher export revenue from market expansion and execution of promotional campaigns in the Indochina region; whilst
- (ii) domestic revenue was flat due to intense competition in the sweetened beverage creamer market mitigated by higher evaporated milk revenue.

Operating profit for F&B Thailand gained by 36.5% from RM72.7 million to RM99.3 million from:

- (i) higher export revenue;
- (ii) favourable input costs for key raw materials; but
- (iii) partially offset by higher packaging material costs; and
- (iv) higher advertising and promotional costs.

## **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 31 December 2018 vs preceding 4<sup>th</sup> quarter ended 30 September 2018

Current quarter Group revenue grew by 6.6% from RM947.6 million to RM1,010.3 million compared to preceding quarter from higher revenue contribution from F&B Malaysia and F&B Thailand.

Group profit before tax increased by 52.4% from RM101.1 million to RM154.1 million compared to preceding quarter.

- F&B Malaysia

F&B Malaysia revenue grew by 9.4% to RM553.4 million compared to the preceding quarter mainly attributed to higher revenue in the current quarter due to Chinese New Year festive sell-in for beverage products.

Correspondingly, F&B Malaysia operating profit increased by 38.3% to RM52.5 million from higher revenue and favourable input costs.

- F&B Thailand

F&B Thailand revenue grew by 3.4% to RM456.5 million compared to the preceding quarter from higher export revenue.

F&B Thailand operating profit improved by 60.9% to RM99.3 million assisted by favourable input cost and lower marketing spend in the current quarter due to phasing of marketing campaigns.

### 3. Prospects

The overall domestic market for both Malaysia and Thailand is expected to remain challenging with continuing competitive price pressures and intensifying competition.

In Malaysia, management will assess and closely monitor the impact of the imposition of excise duty at 40 cents per litre on ready-to-drink beverages that contain sugar exceeding 5 grams per 100 millilitres, starting 1 April 2019. Meanwhile, management are prioritising efforts to accelerate innovations and the development of healthier options.

F&B Thailand has commenced paying corporate taxes starting this financial year following the full utilisation of the promotional privileges granted by the Board of Investment.

The Group will prioritise on initiatives to capture revenue synergies by focusing on its three growth drivers, namely innovation, excellence in execution and cost competitiveness to generate profitable and sustainable growth.

The Board and management will continue to be vigilant and take decisive actions in managing the changes in external environment.

### 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. Tax expense

The details of the tax expense are as follows:

RM'000	1 <sup>st</sup> quarter	
	31/12/2018	31/12/2017
Current income tax	26,209	5,963
Deferred tax – origination and reversal of temporary differences	4,917	3,311
Under/(Over)provision in respect of previous years		
- Income tax	-	(28)
- Deferred tax	79	(939)
	<u>31,205</u>	<u>8,307</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	1 <sup>st</sup> quarter	
	31/12/2018	31/12/2017
Profit before tax	<u>154,058</u>	<u>115,132</u>
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	36,974	27,632
Effect of tax rates in foreign jurisdictions	(4,585)	(3,292)
Tax exempt income	(1,717)	(16,221)
Non-deductible expenses	475	291
Utilisation of previously unrecognised tax losses	-	(373)
Recognition of previously unrecognised tax losses	-	(678)
Deferred tax assets recognised	(121)	-
Deferred tax assets not recognised	-	1,745
Under/(Over) provided in prior years	79	(967)
Foreign withholding tax	187	-
Share of results of an associate	(454)	(467)
Share of results of a joint venture	367	274
Others	-	363
<b>Total income tax expense</b>	<u>31,205</u>	<u>8,307</u>
<b>Effective income tax rate</b>	<u>20.3%</u>	<u>7.2%</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. Loans and borrowings

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

RM'000	Currency	31/12/2018	30/09/2018
<u>Non-current (unsecured)</u>			
Term loan	THB	101,947	115,153
<u>Current (unsecured)</u>			
MTN	RM	-	150,000
Term loan	THB	25,487	70,371
		<u>25,487</u>	<u>220,371</u>
		<u>127,434</u>	<u>335,524</u>

Commercial Paper ("CP")/MTN of RM1,500,000,000

A subsidiary of the Company, F&N Capital Sdn Bhd ("the Issuer"), is able to issue up to RM750,000,000 in nominal value under each of the CP and the MTN programmes respectively, which are unconditionally and irrevocably guaranteed by the Company. The CP has a tenure of seven (7) years from the first issue date of the CP under the CP Programme whilst the MTN has a tenure of fifteen (15) years from the first issue date under the MTN Programme.

The Issuer had on 7 October 2013 issued MTN of RM150,000,000 with the tenure of five (5) years from the issue date. This MTN bearing interest at rate of 4.24% per annum was repaid in the current quarter and there is no outstanding balance as at 31 December 2018 in respect of this CP/MTN programme.

As at 31 December 2018, the unutilised CP/MTN facility available for use amounted to RM1,500,000,000 (2018: RM1,350,000,000).

Term loan of Thai Baht 1,000,000,000

On 1 December 2015 and 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited ("FNDDT"), was granted term loans of Thai 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. Term loan amounting to Thai Baht 450,000,000 was repaid during the current quarter.

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

8. Material litigation

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

9. Dividend

A final single tier dividend of 30.5 sen per share (2018: 30.5 sen per share) for financial year ended 30 September 2018 is approved by shareholders at the Annual General Meeting of the Company on 23 January 2019. This dividend amounting to approximately RM111.9 million is payable on 15 February 2019 (entitlement date for the dividend is 29 January 2019).

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

10. Earnings per ordinary share (EPS)

- (a) The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1 <sup>st</sup> quarter	
	<u>31/12/2018</u>	<u>31/12/2017</u>
Profit for the year attributed to owners of the Company	<u>122,862</u>	<u>106,834</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,351	366,072
Basic earnings per ordinary share (sen)	<u>33.5</u>	<u>29.2</u>

- (b) The calculation of diluted earnings per ordinary share at 31 December 2018 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	1 <sup>st</sup> quarter	
	<u>31/12/2018</u>	<u>31/12/2017</u>
Profit for the year attributed to owners of the Company	<u>122,862</u>	<u>106,834</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,351	366,072
Adjustments pursuant to the SGP ('000)	<u>1,059</u>	<u>1,795</u>
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>367,410</u>	<u>367,867</u>
Diluted earnings per ordinary share (sen)	<u>33.4</u>	<u>29.0</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	1 <sup>st</sup> quarter	
	<u>31/12/2018</u>	<u>31/12/2017</u>
(a) Depreciation and amortisation	25,284	22,518
(b) Net reversal of impairment loss on property, plant and equipment	(29)	(76)
(c) Net impairment loss on receivables	131	-
(d) Bad debts recovered	-	(1)
(e) Bad debts written off	-	-
(f) Net (reversal of inventories written down)/inventories written down	(5)	3,199
(g) Inventories written off	1,275	654
(h) Net loss on disposal/write-offs of property, plant and equipment	180	1,083
(i) Net (gain)/loss on foreign exchange	(305)	1,379
(j) Net fair value loss on derivatives	389	279

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	<u>31/12/2018</u>	<u>30/09/2018</u>
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	62,635	20,673
- Fair value	<u>(468)</u>	<u>(80)</u>

There is no significant change for the financial derivatives in respect of the following since the year ended 30 September 2018:

- (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 current quarter, the Group recognised a total net loss of RM389,000 (2018: RM279,000) in the consolidated income statement arising from the fair value changes on the foreign exchange contracts which are marked-to-market as at 31 December 2018.