

For immediate release

QUARTERLY FINANCIAL REPORT

First Quarter Ended 31 December 2020

The Directors are pleased to release the unaudited quarterly financial report for the three months ended 31 December 2020.

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 2020:

- 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
27 January 2021

Schedule A : Unaudited Condensed Consolidated Income Statement

For the three months ended 31 December 2020

RM'000	1 st quarter		% chg
	31/12/2020	31/12/2019	
Revenue	1,083,121	1,111,142	-2.5%
Cost of sales	(741,266)	(757,438)	
Gross profit	341,855	353,704	-3.3%
Other income	1,717	1,905	
Operating expenses	(186,807)	(197,731)	
Operating profit	156,765	157,878	-0.7%
Finance income	1,023	2,064	
Finance costs	(778)	(1,058)	
Share of profit of equity-accounted associate, net of tax [^]	1,987	1,780	
Share of loss of equity-accounted joint venture, net of tax [#]	(61)	(67)	
Profit before tax	158,936	160,597	-1.0%
Tax expense (Schedule G, Note 5)	(22,138)	(32,241)	
Profit for the year	136,798	128,356	6.6%
Profit for the year attributable to:			
Owners of the Company	136,805	128,365	
Non-controlling interests	(7)	(9)	
Profit for the year	136,798	128,356	
Basic earnings per ordinary share (sen) (Schedule G, Note 10)	37.3	35.0	
Diluted earnings per ordinary share (sen) (Schedule G, Note 10)	37.2	34.9	

[^] 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 2020 dated 24 November 2020.

[#] 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 2020.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income
 For the three months ended 31 December 2020

RM'000	1 st quarter		% chg
	31/12/2020	31/12/2019	
Profit for the year	136,798	128,356	6.6%
Other comprehensive income, net of tax:			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations	16,401	(1,080)	
Total comprehensive income for the year	153,199	127,276	20.4%
Total comprehensive income attributable to:			
Owners of the Company	153,206	127,285	
Non-controlling interests	(7)	(9)	
	153,199	127,276	20.4%

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 2020.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position
 As at 31 December 2020

RM'000	31/12/2020	30/09/2020
Non-current assets		
Property, plant and equipment	1,355,881	1,359,893
Right-of-use assets [^]	81,489	87,183
Investment properties	47,569	47,569
Properties held for development	54,958	54,958
Intangible assets	46,150	45,921
Investment in an associate (<i>Schedule F, Note 8</i>)	88,271	91,261
Investment in a joint venture (<i>Schedule F, Note 9</i>)	87,784	87,845
Deferred tax assets	6,228	5,970
	1,768,330	1,780,600
Current assets		
Trade and other receivables	655,610	589,661
Inventories	637,930	655,981
Current tax asset	301	200
Derivative financial assets (<i>Schedule F, Note 18</i>)	134	4
Cash and cash equivalents	679,979	493,615
	1,973,954	1,739,461
Total assets	3,742,284	3,520,061
Equity		
Share capital and reserves	2,842,834	2,690,601
Non-controlling interests	(168)	(161)
Total equity	2,842,666	2,690,440
Non-current liabilities		
Lease liabilities [^]	9,902	10,785
Employee benefits	51,904	51,304
Deferred tax liabilities	55,612	48,073
	117,418	110,162
Current liabilities		
Trade and other payables	569,263	516,654
Contract liabilities	73,388	57,787
Loans and borrowings (<i>Schedule G, Note 7</i>)	80,597	91,868
Lease liabilities [^]	9,191	13,672
Current tax liabilities	49,512	39,111
Derivative financial liabilities (<i>Schedule F, Note 18</i>)	249	367
	782,200	719,459
Total liabilities	899,618	829,621
Total equity and liabilities	3,742,284	3,520,061
Net assets per share (RM) attributable to owners of the Company	7.75	7.34

[^] Please refer to Schedule F, Note 2.

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 2020.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the three months ended 31 December 2020

RM'000	1 st quarter	
	31/12/2020	31/12/2019
Cash flows from operating activities		
Profit before tax	158,936	160,597
Add/(less) non-cash items:		
- Depreciation of property, plant and equipment and amortisation of intangible assets	27,264	26,758
- Depreciation of right-of-use assets	6,788	6,131
- Finance costs	778	1,058
- Finance income	(1,023)	(2,064)
- Net reversal of impairment loss on property, plant and equipment	(9)	(9)
- Net loss on disposal of property, plant and equipment	47	20
- Property, plant and equipment written off	75	199
- Share-based payment transactions expense	2,503	1,719
- Share of profit of equity-accounted associate, net of tax	(1,987)	(1,780)
- Share of loss of equity-accounted joint venture, net of tax	61	67
- Others	222	61
Changes in working capital	21,031	(144,935)
Tax paid	(5,080)	(5,266)
Net cash from operating activities	209,606	42,556
Cash flows from investing activities		
Acquisition of intangible assets	(708)	-
Acquisition of property, plant and equipment	(14,673)	(50,634)
Dividends received	4,977	6,221
Interest received	705	2,264
Proceeds from disposal of property, plant and equipment	129	102
Net cash used in investing activities	(9,570)	(42,047)
Cash flows from financing activities		
Interest paid	(1,718)	(1,836)
Payment of lease liabilities	(6,456)	(3,900)
Purchase of shares by Share Grant Plan ("SGP") Trust	(3,185)	(3,807)
Repayment of loans and borrowings	(13,433)	(13,689)
Net cash used in financing activities	(24,792)	(23,232)
Net increase/(decrease) in cash and cash equivalents	175,244	(22,723)
Effects of exchange rate fluctuations on cash and cash equivalents	11,120	(978)
Cash and cash equivalents at 1 October	493,615	569,719
Cash and cash equivalents at 31 December	679,979	546,018
Cash and bank balances	383,155	264,634
Short term deposits with licensed banks with a maturity period of 3 months or less	296,824	281,384
Cash and cash equivalents at 31 December	679,979	546,018

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 2020.

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

For the three months ended 31 December 2020

	-----> Attributable to owners of the Company <----->							Total	Non-controlling interests	Total equity
	<-----> Non-distributable				Distributable					
RM'000	Share capital	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			
At 1 October 2020	816,770	(4,688)	(7,733)	94,284	14,434	9,934	1,767,600	2,690,601	(161)	2,690,440
Total comprehensive income	-	-	-	16,401	-	-	136,805	153,206	(7)	153,199
Transactions with owners:										
Purchase of shares by SGP Trust	-	(3,185)	-	-	-	-	-	(3,185)	-	(3,185)
Employee share-based payment expense	-	-	-	-	2,212	-	-	2,212	-	2,212
Total transactions with owners	-	(3,185)	-	-	2,212	-	-	(973)	-	(973)
At 31 December 2020	816,770	(7,873)	(7,733)	110,685	16,646	9,934	1,904,405	2,842,834	(168)	2,842,666
At 1 October 2019	816,770	(3,904)	(7,251)	122,570	12,691	9,934	1,578,514	2,529,324	99	2,529,423
Total comprehensive income	-	-	-	(1,080)	-	-	128,365	127,285	(9)	127,276
Transactions with owners:										
Purchase of shares by SGP trust	-	(3,807)	-	-	-	-	-	(3,807)	-	(3,807)
Employee share-based payment expense	-	-	-	-	1,568	-	-	1,568	-	1,568
Total transactions with owners	-	(3,807)	-	-	1,568	-	-	(2,239)	-	(2,239)
At 31 December 2019	816,770	(7,711)	(7,251)	121,490	14,259	9,934	1,706,879	2,654,370	90	2,654,460

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 2020 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 27 January 2021.

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 2020.

The audited consolidated financial statements of the Group for the year ended 30 September 2020 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 2020. 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 2020.

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 2020, except for the adoption of the following new and amended MFRSs, and Issues Committee (IC) Interpretations mandatory for annual financial periods beginning on or after 1 October 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to MFRS16, *Leases – Covid-19-Related Rent Concessions*

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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

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

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

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

* *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.

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 2020.

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>31/12/2020</u>	<u>30/09/2020</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	75,106	73,119
Dividends received	<u>(55,562)</u>	<u>(50,585)</u>
	<u>88,271</u>	<u>91,261</u>
Market value of investment in an associate for which there is published price quotation	<u>108,248</u>	<u>107,626</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/12/2020</u>	<u>30/09/2020</u>
Total assets	290,541	303,092
Total liabilities	<u>(32,677)</u>	<u>(34,231)</u>

	1 st quarter	
RM'000	<u>31/12/2020</u>	<u>31/12/2019</u>
Revenue	56,127	59,484
Profit	<u>7,306</u>	<u>6,547</u>

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

9. Investment in a joint venture

RM'000	<u>31/12/2020</u>	<u>30/09/2020</u>
Unquoted shares, at cost	127,820	127,820
Share of post-acquisition reserves	<u>(23,038)</u>	<u>(22,977)</u>
	104,782	104,843
Interest on shareholder's loan	<u>38,294</u>	<u>38,294</u>
	143,076	143,137
Less: Unrealised profit	<u>(55,292)</u>	<u>(55,292)</u>
	<u>87,784</u>	<u>87,845</u>

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

RM'000	<u>31/12/2020</u>	<u>30/09/2020</u>
Total assets	286,506	288,606
Total liabilities	<u>(76,960)</u>	<u>(76,939)</u>

	1 st quarter	
RM'000	<u>31/12/2020</u>	<u>31/12/2019</u>
Revenue	-	-
Loss	<u>(122)</u>	<u>(134)</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

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	
<u>1st quarter - 31/12/2020</u>					
Total revenue	568,183	524,257	874	22,600	1,115,914
Inter-segment	-	(9,850)	(645)	(22,298)	(32,793)
External	568,183	514,407	229	302	1,083,121
<u>1st quarter - 31/12/2019</u>					
Total revenue	584,973	531,976	844	21,567	1,139,360
Inter-segment	-	(6,125)	(562)	(21,531)	(28,218)
External	584,973	525,851	282	36	1,111,142
<u>4th quarter - 30/09/2020</u>					
Total revenue	495,147	466,364	973	22,367	984,851
Inter-segment	-	(8,407)	(786)	(21,961)	(31,154)
External	495,147	457,957	187	406	953,697

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 cash and cash equivalents.

RM'000	<u>31/12/2020</u>	<u>30/09/2020</u>
F&B Malaysia	1,920,240	1,879,276
F&B Thailand	840,200	842,670
Property	115,447	202,140
Others	<u>186,418</u>	<u>102,360</u>
	<u>3,062,305</u>	<u>3,026,446</u>

Segment liabilities

The total of segment liabilities is measured based on all liabilities excluding loans and borrowings.

RM'000	<u>31/12/2020</u>	<u>30/09/2020</u>
F&B Malaysia	459,668	393,634
F&B Thailand	348,782	338,944
Property	1,327	1,529
Others	<u>9,244</u>	<u>3,646</u>
	<u>819,021</u>	<u>737,753</u>

13. Significant events

On 15 December 2020, the Board of Directors of F&NHB announced that its direct wholly-owned subsidiary, Awana Citra Sdn Bhd had on 13 December 2020 entered into a conditional share sale agreement (the "Share Sale Agreement") with Mr. Siew Yun Sing and Mdm. Tong Saw Man, in relation to the acquisition of the entire equity interest in Sri Nona Food Industries Sdn Bhd, Sri Nona Industries Sdn Bhd and Lee Shun Hing Sauce Industries Sdn Bhd (collectively referred to as, the "Sri Nona Companies"). The principal activities of Sri Nona Companies are the manufacture, distribution and sale of, among others, rice cakes and condiments. Subject to the terms and conditions of the Share Sale Agreement, the aggregate cash consideration for the Sri Nona Companies is up to RM60,000,000 ("the Proposed Acquisition").

There were no other significant events that have not been reflected in the current quarter.

14. Subsequent events

The Share Sale Agreement relating to the Proposed Acquisition of Sri Nona Companies was completed on 15 January 2021 in accordance with the terms of the Share Sale Agreement.

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

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

15. Changes in the composition of the Group

Incorporation of a new subsidiary

On 10 November 2020, the Company incorporated Awana Citra Sdn Bhd as its wholly owned subsidiary with an authorised share capital of RM100 comprising 100 ordinary shares of RM1 per share. The principal activities of Awana Citra Sdn Bhd are investment holding, manufacturing and trading of food products.

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.

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	
	<u>31/12/2020</u>	<u>30/09/2020</u>
Derivative financial assets	134	4
Derivative financial liabilities	<u>249</u>	<u>367</u>

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 RM47,569,000 (2020: RM47,569,000) carried at Level 3: significant unobservable inputs.

19. Capital commitments

Capital expenditure commitments

The outstanding capital commitments are as follows:

RM'000	<u>31/12/2020</u>	<u>30/09/2020</u>
<u>Property, plant and equipment</u> Contracted but not provided for	<u>94,948</u>	<u>109,441</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 st quarter	
	31/12/2020	31/12/2019
<u>Fraser and Neave, Limited Group</u>		
Sales	66,424	70,781
Purchases	(55,898)	(56,039)
Royalties paid	(16,303)	(14,597)
<u>Cocoaland Holdings Berhad Group</u>		
Dividend income	4,977	6,221
<u>Thai Beverage Public Company Limited Group</u>		
Sales	1,485	725
Purchases	(1,230)	(3,245)
Marketing expenses	(5,636)	(6,496)
<u>Berli Jucker Public Company Limited Group</u>		
Sales	16,089	23,321
Purchases	(3,085)	(11,767)
Transportation expenses	(2,297)	(3,009)
<u>Other related parties of TCC Assets Limited Group</u>		
Purchases	(15,775)	(11,271)
<u>Compensation</u>		
Compensation of key management personnel of the Group	(3,829)	(4,675)
Directors' fees and remuneration	(319)	(244)

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	31/12/2020	30/09/2020
<u>Amount due from related parties</u>		
Fraser and Neave, Limited Group	59,337	73,814
Vacaron Company Sdn Bhd	38,337	38,305
Cocoaland Holdings Berhad Group	-	4
Thai Beverage Public Company Limited Group	700	2,090
Berli Jucker Public Company Limited Group	11,117	12,675
Other related parties of TCC Assets Limited Group	22	11
<u>Amount due to related parties</u>		
Fraser and Neave, Limited Group	(48,346)	(29,637)
Frasers Property Limited Group	(2)	(2)
Thai Beverage Public Company Limited Group	(5,473)	(4,386)
Berli Jucker Public Company Limited Group	(2,548)	(2,013)
Other related parties of TCC Assets Limited Group	(4,807)	(4,967)

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

1. Operations review

Current quarter ended 31 December 2020 vs corresponding quarter ended 31 December 2019

Amidst the continuing COVID-19 pandemic and subdued outdoor activities, the Group managed to deliver revenue of RM1,083.1 million, a moderate contraction of 2.5% against a higher base from last year pre-COVID-19 1st quarter. Contributions from diversified product and geographical presence helped mitigate slower domestic markets in Malaysia and Thailand.

Group profit before tax contracted by 1.0% to RM158.9 million due to lower revenue and commodity price pressures.

Group profit for the year increased by 6.6% to RM136.8 million largely due to Thailand Board of Investment tax incentives enjoyed by the Thai subsidiary.

- F&B Malaysia

Amidst cautious trade sentiments in the domestic market as COVID-19 cases continues to rise, F&B Malaysia recorded RM568.2 million in revenue, a 2.9% decline from last year, compared with earlier seeding-in for Chinese New Year last year. Export revenue maintained, boosted by double digit growth in Middle East and Africa markets although growth was limited by container shortages worldwide and spike in international freight charges.

Operating profit declined by 7.8% to RM44.9 million mainly due to lower revenue, commodity price pressures and lower export margins.

- F&B Thailand

F&B Thailand recorded RM514.4 million in revenue, a contraction of 2.2% from last year due to a weaker Thai baht. In Thai Baht terms, revenue grew marginally by 0.6% sustained by growth in Indochina and export markets whilst domestic revenue declined marginally due to slower off-take in the traditional trade channels and sharp fall in number of tourists.

Operating profit for F&B Thailand declined marginally by 1.3% due to a weaker Thai Baht. In Thai Baht terms, operating profit improved by 1.5% due to higher volume and control of advertising and promotions spending and partially mitigated by higher commodity prices.

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 2020 vs preceding 4th quarter ended 30 September 2020

Current quarter Group revenue grew 13.6% to RM1,083.1 million (4th quarter: RM953.7 million) amidst gradual recovery in the local and export markets as businesses and economic activities resumes to a “new norm”. F&B Malaysia revenue grew 14.8% to RM568.2 million (4th quarter: RM495.1 million). F&B Thailand revenue increased by 12.3% to RM514.4 million (4th quarter: RM458.0 million) with higher revenue in THB terms (+15.2%) due to weaker RM/Thai Baht translation.

Group profit before tax correspondingly increased by 46.8% to RM158.9 million (4th quarter: RM108.3 million) from higher revenue and partially offset by higher input and packaging costs and weaker RM/Thai Baht translation. Excluding the gain on disposal of “TEAPOT” trademark and COVID-19 related expenses recognised in the previous quarter and other one-off/non-operating items in both periods, profit before tax is higher by 50.4%.

3. Prospects

The Group remains cautious of the local and global uncertainties as the COVID-19 pandemic situation remains fluid and uncertain. Since last year, skimmed milk prices have increased and have remained high. Other commodity prices have also been generally on the uptrend. Some of our export markets have also been affected by higher freight charges due to shortage of shipping containers.

While cognisant of the challenging period ahead, our long history has taught us to look beyond this crisis. We are exploring ways to “reimagine” our businesses through organic growth and inorganic growth to ensure a more sustainable future. We have sharpened our route-to-market and channel strategies to fulfil our consumers’ needs and expectations. We will strengthen and scale up our e-commerce operations to ride on this fast-growing channel. The acquisition of Sri Nona Companies will enable us to establish Halal food as our new pillar of growth. For Exports, we remain focused on growing our sales in existing markets and expanding to new markets while adapting and refining our strategies to constraints imposed by the pandemic.

At the same time, we will also continue to safeguard the wellbeing of our employees, trade partners and community. We believe our strategies of pursuing sustainable growth will stand us in good stead over this period and beyond.

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

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.

5. Tax expense

The details of the tax expense are as follows:

RM'000	1 st quarter	
	31/12/2020	31/12/2019
Current income tax	14,735	29,795
Deferred tax – origination and reversal of temporary differences	7,521	1,984
(Over)/Under provision in respect of previous years		
- Income tax	-	(10)
- Deferred tax	(118)	472
	<u>22,138</u>	<u>32,241</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 st quarter	
	31/12/2020	31/12/2019
Profit before tax	<u>158,936</u>	<u>160,597</u>
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	38,145	38,543
Effect of tax rates in foreign jurisdictions	(4,665)	(5,119)
Tax exempt income	(11,094)	(2,717)
Non-deductible expenses	130	1,058
(Over)/Under provision of income and deferred tax in prior years	(118)	462
Foreign withholding tax	202	425
Others	(462)	(411)
Total income tax expense	<u>22,138</u>	<u>32,241</u>
Effective income tax rate	<u>13.9%</u>	<u>20.1%</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	<u>Currency</u>	<u>31/12/2020</u>	<u>30/09/2020</u>
<u>Current (unsecured)</u>			
Term loan	THB	<u>80,597</u>	<u>91,868</u>

Commercial Paper ("CP")/Medium Term Note ("MTN")

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 CP programme of RM750,000,000 had expired on 14 October 2020 whilst the tenure of the MTN Programme is up to 28 September 2028.

As at 31 December 2020, the unutilised CP/MTN facility available for use amounted to RM750,000,000 (2020: RM1,500,000,000).

Term loan

On 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited ("FNDDT"), was granted term loan of THB 1,000,000,000 with the tenure of three (3) years from the issued date and interest rate of 2.44% per annum. As at 31 December 2020, the outstanding balance for the term loan amounted to Thai Baht 600,000,000 (2020: Thai Baht 700,000,000).

8. Material litigation

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

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

9. Dividend

A final single tier dividend of 33.0 sen per share (2019: 33.0 sen per share) for financial year ended 30 September 2020 was approved by shareholders at the Annual General Meeting of the Company on 19 January 2021. This dividend amounting to approximately RM121.0 million is payable on 5 February 2021 (entitlement date for the dividend is 21 January 2021).

10. Earnings per ordinary share (EPS)

(a) The calculation of basic earnings per ordinary share at 31 December 2020 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1 st quarter	
	<u>31/12/2020</u>	<u>31/12/2019</u>
Profit for the year attributed to owners of the Company (RM'000)	<u>136,805</u>	<u>128,365</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>366,537</u>	<u>366,453</u>
Basic earnings per ordinary share (sen)	<u>37.3</u>	<u>35.0</u>

(b) The calculation of diluted earnings per ordinary share at 31 December 2020 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 st quarter	
	<u>31/12/2020</u>	<u>31/12/2019</u>
Profit for the year attributed to owners of the Company (RM'000)	<u>136,805</u>	<u>128,365</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,537	366,453
Adjustments pursuant to the SGP ('000)	<u>805</u>	<u>1,009</u>
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>367,342</u>	<u>367,462</u>
Diluted earnings per ordinary share (sen)	<u>37.2</u>	<u>34.9</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 st quarter	
	31/12/2020	31/12/2019
(a) Bad debts recovered	(9)	-
(b) Bad debts written off	-	-
(c) Depreciation of property, plant and equipment and amortisation of intangible assets	27,264	26,758
(d) Depreciation of right-of-use assets	6,788	6,131
(e) Inventories written off	307	586
(f) Net fair value (gain)/loss on derivatives	(248)	351
(g) Net reversal of impairment loss on property, plant and equipment	(9)	(9)
(h) Net reversal of impairment loss on receivables	(123)	(1)
(i) Net inventories written down	1,191	1,245
(j) Net loss on disposal/write-offs of property, plant and equipment	122	219
(k) Net loss on foreign exchange	2,676	1,141

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:

	31/12/2020		30/09/2020	
	Notional value	Fair value RM'000	Notional value	Fair value RM'000
Forward foreign exchange contracts (less than 1 year)				
USD ('000)	2,796	(249)	4,602	(301)
AUD ('000)	1,963	134	1,706	(62)
		<u>(115)</u>		<u>(363)</u>

There is no significant change for the financial derivatives in respect of the following since the year ended 30 September 2020:

- (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 gain of RM248,000 (2020: net loss of RM351,000) 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 2020.