



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

Level 8, F&N Point,
No. 3 Jalan Metro Pudu 1,
Fraser Business Park, Off Jalan Yew,
55100 Kuala Lumpur, Malaysia
Tel: 03-92352288 Fax: 03-92227878

For immediate release

QUARTERLY FINANCIAL REPORT
First Quarter Ended 31st December 2015

The Directors are pleased to release the unaudited quarterly financial report for the three months ended 31 December 2015.

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 2015:

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 standards 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

Soon Wing Chong
Mayeen Wong May Fun
Joint Secretaries

Kuala Lumpur
2 February 2016

Schedule A : Unaudited Condensed Consolidated Income Statement

For the three months ended 31 December 2015

RM'000	1 st quarter		% chg
	31/12/2015	31/12/2014 (Restated)	
Revenue	1,053,301	1,036,325	1.6%
Cost of sales	(697,847)	(733,721)	
Gross profit	355,454	302,604	17.5%
Other income	30,167	1,932	
Operating expenses	(215,675)	(223,700)	
Operating profit	169,946	80,836	110.2%
Interest expense	(3,112)	* (3,870)	
Interest income	3,395	* 3,346	
Share of results of a joint venture #	(174)	(215)	
Share of results of an associate ^	1,786	1,147	
Profit before tax (PBT)	171,841	81,244	111.5%
Taxation (Schedule G, Note 5)	(20,179)	(11,309)	
Profit after tax (PAT)	151,662	69,935	116.9%
Attributable to:			
Equity holders of the Company	151,662	69,935	116.9%
Non-controlling interests	-	-	
Profit after tax	151,662	69,935	
Basic earnings per share (sen) attributable to equity holders of the Company	41.4	19.1	116.8%
Diluted earnings per share (sen) attributable to equity holders of the Company	41.4	19.1	116.8%

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 2015.

^ 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 2015 dated 25 November 2015.

* The comparatives for the quarter 31 December 2015 have been restated as disclosed in Schedule F, Note 22.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income
 For the three months ended 31 December 2015

RM'000	1 st quarter		% chg
	31/12/2015	31/12/2014	
Profit after tax	151,662	69,935	116.9%
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	(18,403)	22,402	
<i>Item that is reclassified to profit or loss</i>			
Exchange differences on settlement of a net investment	(33,118)	-	
	(51,521)	22,402	
Total comprehensive income	100,141	92,337	8.5%
Total comprehensive income attributable to:			
Equity holders of the Company	100,141	92,337	
Non-controlling interests	-	-	
	100,141	92,337	8.5%

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 31 December 2015

RM'000	31/12/2015	30/09/2015
Non-current assets		
Property, plant and equipment	1,066,352	1,064,821
Investment properties	50,763	50,763
Properties held for development	55,313	55,291
Investment in a joint venture <i>(Schedule F, Note 8)</i>	81,486	80,196
Investment in an associate <i>(Schedule F, Note 9)</i>	72,641	72,410
Intangible assets	129,646	131,155
Deferred tax assets	45,167	49,330
	1,501,368	1,503,966
Current assets		
Inventories	525,973	542,775
Receivables	621,304	562,042
Tax recoverable	29	14
Cash and short term deposits	578,158	412,209
	1,725,464	1,517,040
Total assets	3,226,832	3,021,006
Equity		
Share capital and reserves	1,979,748	1,876,803
Non-controlling interests	204	204
Total equity	1,979,952	1,877,007
Non-current liabilities		
Borrowings	388,152	300,000
Provision for retirement benefits	38,460	37,937
Deferred tax liabilities	31,165	32,682
	457,777	370,619
Current liabilities		
Payables	733,699	753,291
Provisions	7,737	7,925
Borrowings	29,384	-
Provision for taxation	18,283	12,164
	789,103	773,380
Total liabilities	1,246,880	1,143,999
Total equity and liabilities	3,226,832	3,021,006
Net assets per share (RM) attributable to equity holders of the Company	5.40	5.12

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 2015.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the three months ended 31 December 2015

RM'000	1 st quarter	
	31/12/2015	31/12/2014 (Restated)
Operating activities		
Profit before tax	171,841	81,244
Add non-cash items:		
- Depreciation and amortisation	24,005	22,503
- Impairment of property, plant and equipment	6	2,700
- Impairment loss on receivables	6	1,442
- Inventories written down	1,385	* 553
- Inventories written off	2,327	* 2,136
- Bad debts recovered	(21)	* (85)
- Share-based payment transactions expense	1,524	* 1,730
- Property, plant and equipment written off	90	* 457
- Net loss on disposal of property, plant and equipment	99	* 37
- Net fair value loss on derivatives	4,169	* 595
- Interest expense	3,112	* 3,870
- Interest income	(3,395)	* (3,346)
- Share of results of a joint venture	174	215
- Share of results of an associate	(1,786)	(1,147)
- Others	(1,085)	* (61)
Changes in working capital #	(68,898)	* (41,271)
Insurance claim received	954	-
Tax paid	(11,556)	(12,519)
Net cash flows generated from operating activities	122,951	59,053
Investing activities		
Interest received	1,430	* 1,506
Dividend received	1,555	2,333
Proceeds from disposal of property, plant and equipment	49	219
Purchase of property, plant and equipment	(38,571)	(14,700)
Purchase of intangible assets	(132)	(2)
Net cash flows used in investing activities	(35,669)	(10,644)
Financing activities		
Interest paid	(2,930)	* (4,155)
Net movement in borrowings	117,536	-
Purchase of shares by Share Grant Plan ("SGP") Trust	(633)	-
Proceeds from the exercise of the Executives' Share Options Scheme ("ESOS")	1,913	1,175
Net cash flows generated from/(used) in financing activities	115,886	(2,980)
Net increase in cash and cash equivalents	203,168	45,429
Effects of foreign exchange rate changes	(37,069)	9,384
Cash and cash equivalents at beginning of quarter	409,143	365,387
Cash and cash equivalents at end of quarter	575,242	420,200

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows (cont'd)

For the three months ended 31 December 2015

RM'000	1 st quarter	
	31/12/2015	31/12/2014 (Restated)
Cash and cash equivalents comprise:		
Cash and bank balances	238,021	201,572
Short term deposits with licensed banks	340,137	218,628
Cash and short term deposits	578,158	420,200
Deposits with a licensed bank with a maturity period of more than 3 months	(2,916)	-
	<u>575,242</u>	<u>420,200</u>

(The remainder of this page has been intentionally left blank.)

Included the interest amounting to RM1,464,000 (2015: RM1,384,000) accrued on loan to a joint venture.
 * The comparatives for the quarter 31 December 2015 have been restated as disclosed in Schedule F, Note 22.

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

For the three months ended 31 December 2015

RM'000	-----> Attributable to equity holders of the Company ----->										Non-controlling interests	Total equity
	-----> Non-distributable ----->						-----> Distributable ----->					
	Share capital	Share premium	Treasury shares	Shares held by SGP Trust (Note a)	Loss on purchase of shares for SGP (Note b)	Foreign exchange reserve	Share-based payment reserve	Legal reserve	Retained earnings	Total		
At 1 October 2015	366,647	447,904	(1,716)	(7,733)	(190)	97,763	13,285	9,934	950,909	1,876,803	204	1,877,007
Total comprehensive income	-	-	-	-	-	(51,521)	-	-	151,662	100,141	-	100,141
Transactions with owners:												
Issuance of shares upon exercise of ESOS	132	1,781	-	-	-	-	-	-	-	1,913	-	1,913
Purchase of shares by SGP Trust	-	-	-	(633)	-	-	-	-	-	(633)	-	(633)
Employee share-based payment expense	-	-	-	-	-	-	1,524	-	-	1,524	-	1,524
Total transactions with owners	132	1,781	-	(633)	-	-	1,524	-	-	2,804	-	2,804
At 31 December 2015	366,779	449,685	(1,716)	(8,366)	(190)	46,242	14,809	9,934	1,102,571	1,979,748	204	1,979,952
At 1 October 2014	366,028	438,206	(1,716)	-	-	(3,687)	8,382	9,934	871,466	1,688,613	206	1,688,819
Total comprehensive income	-	-	-	-	-	22,402	-	-	69,935	92,337	-	92,337
Transactions with owners:												
Issuance of shares upon exercise of ESOS	88	1,087	-	-	-	-	-	-	-	1,175	-	1,175
Employee share-based payment expense	-	-	-	-	-	-	1,730	-	-	1,730	-	1,730
Total transactions with owners	88	1,087	-	-	-	-	1,730	-	-	2,905	-	2,905
At 31 December 2014	366,116	439,293	(1,716)	-	-	18,715	10,112	9,934	941,401	1,783,855	206	1,784,061

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.

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 2015.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134

1. Corporate information

Fraser & Neave Holdings Bhd (“FNHB” 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.

These condensed consolidated interim financial statements (“interim financial statements”) were approved by the Board of Directors on 2 February 2016.

2. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The audited consolidated financial statements of the Group for the year ended 30 September 2015 are available upon request from the Company’s registered office at Level 8, 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 2015. 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 2015.

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2015.

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 2016

- MFRS 14 *Regulatory Deferral Accounts* *
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception* *
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* *
- Amendments to MFRS 101 *Disclosure Initiative*
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* *
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
- Annual Improvements to MFRSs 2012-2014 Cycle

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

- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*
- MFRS 15 *Revenue from Contracts with Customers*

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 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 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9 *Mandatory Effective Date of MFRS 9 and Transition Disclosures*, issued in March 2012, moved the mandatory effective date to 1 January 2015. On 24 July 2014, the IASB issued the final version of MFRS 9 which will come into effect on 1 January 2018, with early application permitted. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

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 2015.
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	<u>31/12/2015</u>	<u>30/09/2015</u>
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	(5,318)	(5,144)
	<u>(4,818)</u>	<u>(4,644)</u>
Shareholder's loan	124,820	124,820
Interest on shareholder's loan	16,776	15,312
	<u>136,778</u>	<u>135,488</u>
Less: Unrealised profit	(55,292)	(55,292)
	<u>81,486</u>	<u>80,196</u>

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

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
Total assets	275,915	273,595
Total liabilities	(285,570)	(282,902)

RM'000	<u>31/12/2015</u>	<u>1st quarter 31/12/2014</u>
Revenue	-	-
Loss	(348)	(431)

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

9. Investment in an associate

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	28,370	26,584
Dividend received	<u>(24,456)</u>	<u>(22,901)</u>
	<u>72,641</u>	<u>72,410</u>
Fair value of investment in an associate for which there is published price quotation	<u>129,400</u>	<u>114,314</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
Total assets ^	282,268	279,221
Total liabilities ^	<u>(45,962)</u>	<u>(49,517)</u>

RM'000	1 st quarter	
	<u>31/12/2015</u>	<u>31/12/2014</u>
Revenue ^	58,916	63,782
Profit ^	<u>6,570</u>	<u>4,220</u>

^ 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 2015 dated 25 November 2015.

10. Issuance or repayments of debt/equity securities

There have been no issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the current quarter except for the issuance of 131,700 ordinary shares pursuant to the ESOS Scheme at the exercise price of RM14.52 each.

11. Dividends paid during the financial year

At the Annual General Meeting held on 21 January 2016, shareholders approved a final single tier dividend of 35.5 sen per share (2015: 33 sen per share) in respect of year ended 30 September 2015. This dividend is payable on 4 February 2016.

There were no dividends paid in this quarter.

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

12. Segmental information

Segment results

Pursuant to the internal reorganisation of the Group undertaken in phases to align the Group's operations and management structure, the Group's operating businesses are now organised according to products and services, namely Food and Beverages Malaysia (Soft Drinks and Dairies Malaysia segments have now been combined into a single segment), Food and Beverages Thailand (previously named as Dairies Thailand segment), 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 quarter, preceding and previous quarter are as follows. The results by segments for the preceding and previous quarter have been restated according to the new organisational structure.

RM'000	Revenue				Total
	Food and Beverages Malaysia	Food and Beverages Thailand	Property	Others	
<u>1st quarter - 31/12/2015</u>					
Total revenue	643,857	414,865	1,095	25,791	1,085,608
Inter-segment	(3,604)	(2,740)	(842)	(25,121)	(32,307)
External	640,253	412,125	253	670	1,053,301
<u>1st quarter - 31/12/2014 (restated)</u>					
Total revenue	677,679	364,387	1,135	18,311	1,061,512
Inter-segment	(29)	(5,908)	(972)	(18,278)	(25,187)
External	677,650	358,479	163	33	1,036,325
<u>4th quarter - 30/09/2015 (restated)</u>					
Total revenue	638,463	375,661	1,363	17,627	1,033,114
Inter-segment	(2,204)	(4,546)	(1,138)	(17,413)	(25,301)
External	636,259	371,115	225	214	1,007,813

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

12. Segmental information (cont'd)

Segment results (cont'd)

RM'000	Profit before tax					Total
	Food and Beverages Malaysia	Food and Beverages Thailand	Property	Others	Adjustments and eliminations	
<u>1st quarter - 31/12/2015</u>						
Operating profit	81,619	66,538	209	397	21,183	169,946
Interest expense	-	-	-	-	-	(3,112)
Interest income	-	-	-	-	-	3,395
Share of results of a joint venture	-	-	-	-	-	(174)
Share of results of an associate	-	-	-	-	-	1,786
Profit before tax						<u>171,841</u>
<u>1st quarter - 31/12/2014 (restated)</u>						
Operating profit/(loss)	53,807	21,942	276	(9,638)	14,449	80,836
Interest expense	-	-	-	-	-	(3,870)
Interest income	-	-	-	-	-	3,346
Share of results of a joint venture	-	-	-	-	-	(215)
Share of results of an associate	-	-	-	-	-	1,147
Profit before tax						<u>81,244</u>
<u>4th quarter - 30/09/2015 (restated)</u>						
Operating profit/(loss)	58,807	21,006	(6,183)	(19,498)	12,712	66,844
Interest expense	-	-	-	-	-	(3,965)
Interest income	-	-	-	-	-	3,312
Share of results of a joint venture	-	-	-	-	-	(516)
Share of results of an associate	-	-	-	-	-	2,053
Profit before tax						<u>67,728</u>

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	31/12/2015	30/09/2015 (restated)
Food and Beverages Malaysia	1,591,006	1,538,526
Food and Beverages Thailand	687,988	688,347
Property	118,109	118,255
Others	52,277	61,733
	<u>2,449,380</u>	<u>2,406,861</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	31/12/2015	30/09/2015 (restated)
Food and Beverages Malaysia	512,262	515,961
Food and Beverages Thailand	248,863	258,938
Property	889	1,417
Others	17,882	22,837
	<u>779,896</u>	<u>799,153</u>

13. Acquisitions and disposals/write-offs of property, plant and equipment and intangible assets

RM'000	31/12/2015	1 st quarter 31/12/2014
Acquisitions (cost)	38,703	14,702
Disposals/write-offs (net carrying amount)	238	713
Net loss on disposals/write-offs	<u>189</u>	<u>494</u>

14. Significant events

There were no significant events during the quarter.

15. Subsequent events

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

16. Changes in the composition of the Group

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

17. Contingent liabilities

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

18. 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)

19. Fair value hierarchy

As at 31 December 2015, the Group held foreign currency forward contracts carried at fair value of approximately RM1,528,000 (30 September 2015: RM5,713,000) based on Level 2: significant observable inputs for identical assets or liabilities. 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 RM50,763,000 (30 September 2015: RM50,763,000) carried at Level 3: significant unobservable inputs.

20. Capital and lease commitments

Capital commitments

The outstanding capital commitments are as follows:

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
<u>Property, plant and equipment</u>		
Contracted but not provided for:		
- Building	3,187	4,005
- Machinery and equipment	61,288	39,548
- Others	5,107	887
	<u>69,582</u>	<u>44,440</u>
Authorised but not contracted for:		
- Building	104	58
- Machinery and equipment	86,252	37,809
- Others	5,248	1,724
	<u>91,604</u>	<u>39,591</u>
	<u>161,186</u>	<u>84,031</u>

Lease commitments

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

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
<u>Non-cancellable operating lease commitments - Group as lessee</u>		
Future minimum rentals payable:		
- Not later than 1 year	11,073	11,617
- Later than 1 year and not later than 5 years	25,264	27,647
- Later than 5 years	1,096	1,170
	<u>37,433</u>	<u>40,434</u>

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

21. Related party disclosure

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	
	31/12/2015	31/12/2014
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>		
Sales	59,595	51,514
Rental income	110	92
Purchases	62,010	60,661
Royalties paid	15,016	14,280
Corporate charges paid	787	332
<u>Vacaron Company Sdn Bhd</u>		
Sales	2	-
Receipt of corporate service fees	168	402
Rental income	-	27
Interest income	1,464	1,384
<u>Cocoaland Holdings Berhad Group</u>		
Purchases	1,796	1,128
<u>Thai Beverage Public Company Limited Group</u>		
Sales	196	98
Purchases	2,038	1,856
<u>Berli Jucker Public Company Limited Group</u>		
Sales	286	96
Purchases	24,055	16,632
Other expenses	52	2
<u>Other related parties of TCC Group</u>		
Sales	303	276
Management fees	334	291
Insurance premium paid	1,483	1,202
Other expenses	6	68
<u>Permodalan Nasional Berhad ("PNB") Group *</u>		
Sales	18,074	20,751
Purchases	13,607	13,091
Rental of equipment paid	623	444
Other expenses	46	103
<u>Compensation</u>		
Compensation of key management personnel of the Group	2,570	2,604
Directors' fees	14	16

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

21. Related party disclosure (cont'd)

Related party balances

The related party balances are shown below:

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
<u>Amount due from related parties</u>		
F&N Limited Group	39,652	39,757
Vacaron Company Sdn Bhd	141,640	140,206
Cocoaland Holdings Berhad Group	-	10,502
Thai Beverage Public Company Limited Group	620	185
Berli Jucker Public Company Limited Group	-	210
Other related parties of TCC Group	234	35
PNB Group	16,793	13,877
<u>Amount due to related parties</u>		
F&N Limited Group	39,821	41,973
Cocoaland Holdings Berhad Group	916	1,159
Thai Beverage Public Company Limited Group	-	1,556
Berli Jucker Public Company Limited Group	7,893	8,668
Other related parties of TCC Group	822	127
PNB Group	5,053	9,073

* Permodalan Nasional Berhad ("PNB") is deemed a related party to FNHB by virtue of PNB holding 59,443,000 shares as of 31 December 2015 through Amanahraya Trustees Berhad, representing 16.22% equity interest in FNHB and having two nominee directors on the Board of FNHB.

(The remainder of this page has been intentionally left blank.)

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

22. Change in comparatives

The comparatives for the quarter ended 31 December 2015 have been restated as follows:

RM'000	As previously stated	Adjustments		As restated
		(a)	(b)	
<u>Income statement:</u>				
<u>For the quarter ended 31 December 2014</u>				
Interest expense	(2,486)	(1,384)	-	(3,870)
Interest income	1,962	1,384	-	3,346
<u>Statement of cash flows:</u>				
<u>For the quarter ended 31 December 2014</u>				
Inventories written down	-	-	553	553
Inventories written off	-	-	2,136	2,136
Bad debts recovered	-	-	(85)	(85)
Share-based payment transaction expenses	-	-	1,730	1,730
Property, plant and equipment written off	-	-	457	457
Net loss on disposal of property, plant and equipment	-	-	37	37
Net fair value loss on derivatives	-	-	595	595
Interest expense	2,486	1,384	-	3,870
Interest income	(1,962)	(1,384)	-	(3,346)
Others	5,362	-	(5,423)	(61)
Changes in working capital	(43,396)	-	2,125	(41,271)
Interest received	1,962	-	(456)	1,506
Interest paid	(2,486)	-	(1,669)	(4,155)

(a) Adjustments pursuant to the adoption of MFRS 11 Joint Arrangements.

(b) Being reclassification to conform with current year's presentation.

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

1. Operations review

Current quarter ended 31 December 2015 vs corresponding quarter ended 31 December 2014

Group current quarter turnover grew marginally by 1.6% from RM1,036.3 million to RM1,053.3 million, whilst profit before tax increased substantially by 111.5% from RM81.2 million to RM171.8 million.

Food and Beverages Malaysia revenue declined from RM677.7 million to RM640.3 million (-5.5%) compared with the corresponding quarter, mainly due to the absence of contribution from Red Bull as a result of the termination of the exclusive marketing, distribution and sale of Red Bull energy drink in phases during the quarter ended 30 September 2015. Excluding the revenue contribution from Red Bull, Food and Beverages Malaysia revenue actually grew by a marginal 2.5%. This is in line with the weakening consumer confidence on the effects of higher cost of living post Goods and Services Tax and respective government subsidy rationalisation along with increasing competitive activities.

There is also an increase in end-consumer related competitive pricing pressures in the trade, particularly with the commencement of Chinese New Year selling-in. The segment operations remained vigilant on its execution of product trade presence, widening its distribution network and effectively managing its trade pricing. Operating profit, however increased by 51.7% from RM53.8 million to RM81.6 million on favourable product mix, favourable milk based global commodity prices for its canned milk products, lower (branding) advertising and promotion, East Coast flood insurance claim recovery, along with the absence of East Coast flood-related costs and provisions made in the corresponding quarter (RM4.1 million).

Food and Beverages Thailand revenue increased by 15.0% from RM358.5 million to RM412.1 million, with continuing higher (than market) demand for all its products along with favourable contribution from its newly launched UHT milk products. Distribution coverage continue to increase, supported by effective branding and consumer trade campaigns. Operating profit increased significantly from RM21.9 million to RM66.5 million, aided significantly by favourable milk based commodity prices, lower trade discounting, recovery of withholding tax on royalties paid in previous years (equivalent to RM8.5 million) and realised (continuing) manufacturing efficiencies along with favourable Thai Baht foreign currency conversion.

Others operating profit increased from RM14.5 million to RM21.2 million mainly due to the realisation of the foreign exchange gain amounting to RM18 million on the early redemption of the zero coupon bond by F&N Dairies (Thailand) Limited. With Food and Beverages Thailand performing well post-flood, the Group made the decision to redeem the bond and replaced with an on-shore Thailand bank loan to take advantage of the lower interest rate in Thailand. The funds redeemed would be put to use to fund the Group substantial capital expenditure outlook for the year.

2. Comment on material change in Group profit before tax for quarter ended 31 December 2015 vs preceding 4th quarter ended 30 September 2015

Group revenue for the quarter was higher at RM1,053.3 million compared with RM1,007.8 million in the preceding 4th quarter. However, Group profit before tax increased significantly by 153.7% from RM67.7 million to RM171.8 million partly attributed to higher revenue, effective product/sales mix (particularly on its main brands) and pricing management and favourable milk based commodity prices, insurance claim and recovery of withholding on royalties paid in previous years.

Food and Beverages Malaysia revenue for the current quarter increased marginally by RM4.0 million. Excluding the revenue contribution from Red Bull, Food and Beverages Malaysia revenue grew by 7.2% due to earlier activation of Chinese New Year selling activities. Consequently operating profit improved from RM58.8 million to RM81.6 million on the back of favourable product mix backed by effective execution of festival end-consumer trade activities, insurance claim recovery and lower (branding) advertising and promotion activities.

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

2. Comment on material change in Group profit before tax for quarter ended 31 December 2015 vs preceding 4th quarter ended 30 September 2015 (cont'd)

Food and Beverages Thailand revenue increased by 11.1% from RM371.1 million to RM412.1 million, with continuing high demand for all its canned milk products, supported by effective branding and trade consumers' activities. Operating profit increased significantly from RM21.0 million to RM66.5 million (+216.8%) due to higher revenue, realised milk based commodity savings, recovery of withholding tax on royalties paid in previous years and significantly lower (quarter on quarter) advertising and promotions expenditure.

The Property segment recorded a higher operating loss in the preceding quarter due to the change in fair value of investment properties amounting to RM6.3 million. Others recorded operating profit of RM397,000 from an operating loss of RM19.5 million mainly due to the realisation of the foreign exchange gain on the early redemption of the zero coupon bond by F&N Dairies (Thailand) Limited.

3. Prospects

In Malaysia, consumer sentiment remains weak, which has led to lower discretionary spending, as evidenced by the lowest point in the Malaysia Consumer Sentiments Index. Furthermore, the World Bank has forecasted lower growth for 2016 for both Malaysia and Thailand, on the back of continuing low global oil prices, softening China economy and expected continuing depressed commodity prices. Inadvertently, the weaker consumer demand will result in intensifying trade price competition, and focus will shift towards end-consumer programs, pricing and activities, which will soften contribution margins. The Malaysian Ringgit, in particular, may continue to be volatile. However, in the short term, the Group has hedged its foreign currency requirements which would help negate any potential negative foreign exchange impact.

Against this, both the Board and management remain vigilant and will diligently monitor and track changing market dynamics and conditions, with a view of strategising and formulating appropriate actions to maintain its market position and profitability.

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. Taxation

The details of the tax expense are as follows:

RM'000	1 st quarter	
	31/12/2015	31/12/2014
Current income tax	17,645	12,727
Deferred tax – origination and reversal of temporary differences	2,328	(1,468)
Underprovision in respect of previous years		
- Income tax	-	2
- Deferred tax	206	48
	<u>20,179</u>	<u>11,309</u>

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

5. Taxation (cont'd)

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	
	31/12/2015	31/12/2014
Profit before tax	171,841	81,244
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	41,242	20,311
Different tax rates in other countries	(3,079)	(1,866)
Effect of reduction in income tax rate on deferred tax	-	928
Income not subject to tax	(19,293)	(4,412)
Expenses not deductible for tax purposes	342	1,463
Utilisation of previously unrecognised tax losses	(510)	(396)
Deferred tax assets recognised	-	(4,777)
Deferred tax assets not recognised	1,464	-
Over provision in respect of previous years		
- Income tax	-	2
- Deferred tax	206	48
Share of results of a joint venture	42	54
Share of results of an associate	(429)	(287)
Others	194	241
Total income tax expense	20,179	11,309
Effective income tax rate	11.7%	13.9%

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:

<u>CP/MTN – RM1.5 billion</u>	Currency	31/12/2015	30/09/2015
<u>Current</u>			
Term loan	RM'000	29,384	-
<u>Non-current</u>			
Medium term notes ("MTN")	RM'000	300,000	300,000
Term loan	RM'000	88,152	-
		388,152	300,000
		417,536	300,000

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 issued date. These MTN bear interest at rates of 4.38% and 4.24% per annum respectively and payable semi-annually in arrears.

On 1 December 2015, a subsidiary of the Company, F&N Dairies (Thailand) Ltd., has been granted a term loan facility of Baht 1,000,000,000. This term loan bears interest at rate of 2.35% per annum and payable semi-annually in six instalments over three (3) years.

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

8. Material litigation
 There is no material litigation to be disclosed in this interim financial statements.

9. Proposed dividend
 No dividend has been declared in this quarter.

10. Earnings per share (EPS)

(a) The basic EPS were computed by dividing the Group attributable profit to shareholders of the Company by the weighted average number of ordinary shares in issue (net of treasury shares).

	1 st quarter	
	<u>31/12/2015</u>	<u>31/12/2014</u>
Group attributable profit to shareholders of the Company (RM'000)	<u>151,662</u>	<u>69,935</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,076	365,740
Basic earnings per share (sen)	41.4	19.1

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

	1 st quarter	
	<u>31/12/2015</u>	<u>31/12/2014</u>
Group attributable profit to shareholders of the Company (RM'000)	<u>151,662</u>	<u>69,935</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,076	365,740
Adjustments pursuant to the ESOS/SGP ('000)	141	212
Adjusted weighted average number of ordinary shares net of treasury shares ('000)	<u>366,217</u>	<u>365,952</u>
Diluted earnings per share (sen)	41.4	19.1

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

11. Disclosure of realised and unrealised portions of the revenue reserve

The breakdown of the retained profits of the Group into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, and prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

RM'000	<u>31/12/2015</u>	<u>30/09/2015</u>
Total revenue reserve of the Company and its subsidiaries		
- Realised	1,061,621	941,135
- Unrealised	16,553	56,397
	<u>1,078,174</u>	<u>997,532</u>
Total share of accumulated losses from a joint venture		
- Realised	(6,893)	(6,672)
- Unrealised	1,575	1,528
	<u>(5,318)</u>	<u>(5,144)</u>
Total share of retained earnings from an associate		
- Realised	6,407	6,103
- Unrealised	(2,493)	(2,420)
	<u>3,914</u>	<u>3,683</u>
Consolidation adjustments	25,801	(45,162)
Total Group retained profits as per financial statements	<u>1,102,571</u>	<u>950,909</u>

12. Notes to the Condensed Consolidated Income Statement

Profit Before Tax is arrived at after charging/(crediting) the following items:

RM'000	1 st quarter	
	<u>31/12/2015</u>	<u>31/12/2014</u>
(a) Other income	(29,206)	(1,915)
(b) Depreciation and amortisation	24,005	22,503
(c) Impairment loss on property, plant and equipment	6	2,700
(d) Reversal of impairment loss on property, plant and equipment	(335)	-
(e) Impairment loss on receivables	6	1,442
(f) Reversal of impairment loss on receivables	(58)	(272)
(g) Bad debts written off	-	-
(h) Bad debts recovered	(21)	(85)
(i) Inventories written down	1,385	553
(j) Reversal of inventories written down	(3,795)	-
(k) Inventories written off	2,327	2,136
(l) Net loss on disposal/write offs of property, plant and equipment/intangible assets	189	494
(m) Impairment of other assets	-	-
(n) Foreign exchange gain	(20,746)	(1,642)
(o) Loss on forward foreign exchange contracts	4,169	595

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

13. 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>31/12/2015</u>	<u>30/09/2015</u>
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	92,712	67,527
- Fair value	<u>1,528</u>	<u>5,713</u>

There is no significant change for the financial derivatives in respect of the following since the year ended 30 September 2015:

- (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 RM4,169,000 (2015: RM595,000) 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 2015.