



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 2017

The Directors are pleased to release the unaudited quarterly financial report for the three months ended 31 December 2017.

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

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

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

By Order of the Board

Mayeen Wong May Fun
Secretary

Kuala Lumpur
6 February 2018

Schedule A : Unaudited Condensed Consolidated Income Statement

For the three months ended 31 December 2017

RM'000	1 st quarter		% chg
	31/12/2017	31/12/2016	
Revenue	1,068,930	1,091,083	-2.0%
Cost of sales	(716,895)	(700,623)	
Gross profit	352,035	390,460	-9.8%
Other income	5,144	17,614	
Operating expenses	(242,318)	(266,125)	
Operating profit	114,861	141,949	-19.1%
Finance income	3,216	3,775	
Finance costs	(3,749)	(3,893)	
Share of results of a joint venture #	(1,140)	(61)	
Share of results of an associate ^	1,944	2,237	
Profit before tax (PBT)	115,132	144,007	-20.1%
Taxation (<i>Schedule G, Note 5</i>)	(8,307)	(16,732)	
Profit after tax (PAT)	106,825	127,275	-16.1%
Attributable to:			
Equity holders of the Company	106,834	127,278	
Non-controlling interests	(9)	(3)	
Profit after tax	106,825	127,275	
Basic earnings per share (sen) attributable to equity holders of the Company	29.2	34.8	
Diluted earnings per share (sen) attributable to equity holders of the Company	29.0	34.6	

The share of results of a joint venture for the quarter refers to Vacaron Company Sdn Bhd and is derived from its unaudited management accounts for the quarter ended 31 December 2017.

^ The share of results of an associate for the quarter refers to Cocoaland Holdings Berhad and is derived from its unaudited quarterly announcement for the quarter ended 30 September 2017 dated 27 November 2017.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 December 2017

RM'000	1 st quarter		% chg
	31/12/2017	31/12/2016	
Profit after tax	106,825	127,275	-16.1%
Other comprehensive income, net of tax:			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	(11,133)	24,918	
Total comprehensive income	95,692	152,193	-37.1%
Total comprehensive income attributable to:			
Equity holders of the Company	95,701	152,196	
Non-controlling interests	(9)	(3)	
	95,692	152,193	-37.1%

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 31 December 2017

RM'000	31/12/2017	30/09/2017
Non-current assets		
Property, plant and equipment	1,212,561	1,193,851
Investment properties	49,315	49,315
Properties held for development	56,047	56,047
Investment in a joint venture <i>(Schedule F, Note 8)</i>	90,098	89,822
Investment in an associate <i>(Schedule F, Note 9)</i>	85,712	83,768
Intangible assets	121,414	122,218
Deferred tax assets	23,638	25,726
	1,638,785	1,620,747
Current assets		
Inventories	525,554	540,716
Trade and other receivables	639,875	620,185
Current tax asset	22,392	25,280
Derivative financial assets	28	137
Cash and short term deposits	494,618	424,433
	1,682,467	1,610,751
Total assets	3,321,252	3,231,498
Equity		
Share capital and reserves	2,230,052	2,132,558
Non-controlling interests	163	172
Total equity	2,230,215	2,132,730
Non-current liabilities		
Loans and borrowings	-	181,639
Employee benefits	38,585	38,070
Deferred tax liabilities	30,440	29,944
	69,025	249,653
Current liabilities		
Trade and other payables	646,493	636,090
Loans and borrowings	362,140	197,458
Current tax liabilities	11,662	14,020
Derivative financial liabilities	1,717	1,547
	1,022,012	849,115
Total liabilities	1,091,037	1,098,768
Total equity and liabilities	3,321,252	3,231,498
Net assets per share (RM) attributable to owners of the Company	6.08	5.82

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

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the three months ended 31 December 2017

RM'000	1 st quarter	
	31/12/2017	31/12/2016
Cash flows from operating activities		
Profit before tax	115,132	144,007
Add non-cash items:		
- Depreciation and amortisation	22,518	24,246
- Inventories written down	5,437	14
- Inventories written off	2,525	2,352
- Share-based payment transactions expense	2,244	1,421
- Property, plant and equipment written off	1,041	184
- Reversal of provisions for litigation claims	-	(5,749)
- Net loss on disposal of property, plant and equipment	42	128
- Net fair value loss/(gain) on derivatives	279	(337)
- Finance costs	3,749	3,893
- Finance income	(3,216)	(3,775)
- Share of results of a joint venture	1,140	61
- Share of results of an associate	(1,944)	(2,237)
- Others	522	(1,348)
Changes in working capital #	(2,003)	(131,019)
Tax paid	(5,406)	(12,648)
Net cash from operating activities	142,060	19,193
Cash flows from investing activities		
Interest received	1,801	2,375
Loan to a joint venture	-	(2,000)
Proceeds from disposal of property, plant and equipment	82	59
Purchase of property, plant and equipment	(47,280)	(39,735)
Purchase of intangible assets	(42)	(130)
Net cash used in investing activities	(45,439)	(39,431)
Cash flows from financing activities		
Interest paid	(4,206)	(3,893)
Repayment of borrowings	(16,957)	(10,556)
Net cash used in financing activities	(21,163)	(14,449)
Net increase/(decrease) in cash and cash equivalents	75,458	(34,687)
Effects of foreign exchange rate changes	(5,273)	10,056
Cash and cash equivalents at 1 October	424,433	593,554
Cash and cash equivalents at 31 December	494,618	568,923

Included the interest amounting to RM1,416,000 (2017: RM1,400,000) accrued on loan to a joint venture.

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

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

For the three months ended 31 December 2017

RM'000	1 st quarter	
	31/12/2017	31/12/2016
Cash and cash equivalents comprise:		
Cash and bank balances	249,565	300,212
Short term deposits with licensed banks with a maturity period of 3 months or less	245,053	268,711
Cash and short term deposits	494,618	568,923

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

For the three months ended 31 December 2017

<----- Attributable to owners of the Company ----->
<----- Non-distributable -----> Distributable

RM'000	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	Non-controlling interests	Total equity
At 1 October 2017	816,770	-	(1,716)	(12,079)	(2,092)	85,910	16,940	9,934	1,218,891	2,132,558	172	2,132,730
Total comprehensive income	-	-	-	-	-	(11,133)	-	-	106,834	95,701	(9)	95,692
Transactions with owners:												
Employee share-based payment expense	-	-	-	-	-	-	1,793	-	-	1,793	-	1,793
Total transactions with owners	-	-	-	-	-	-	1,793	-	-	1,793	-	1,793
At 31 December 2017	816,770	-	(1,716)	(12,079)	(2,092)	74,777	18,733	9,934	1,325,725	2,230,052	163	2,230,215
At 1 October 2016	366,779	449,991	(1,716)	(12,060)	(797)	55,734	15,416	9,934	1,105,679	1,988,960	202	1,989,162
Total comprehensive income	-	-	-	-	-	24,918	-	-	127,278	152,196	(3)	152,193
Transactions with owners:												
Employee share-based payment expense	-	-	-	-	-	-	1,421	-	-	1,421	-	1,421
Total transactions with owners	-	-	-	-	-	-	1,421	-	-	1,421	-	1,421
At 31 December 2016	366,779	449,991	(1,716)	(12,060)	(797)	80,652	16,837	9,934	1,232,957	2,142,577	199	2,142,776

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 2017 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 6 February 2018.

2. Basis of preparation

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

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

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

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

3. Standards issued but not yet effective

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

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

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

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

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

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

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

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

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

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 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, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

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

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

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 is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 year ended 31 December 2017.

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	31/12/2017	30/09/2017
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	(9,981)	(8,841)
	<u>(9,481)</u>	<u>(8,341)</u>
Shareholder's loan	126,820	126,820
Interest on shareholder's loan	28,051	26,635
	<u>145,390</u>	<u>145,114</u>
Less: Unrealised profit	(55,292)	(55,292)
	<u>90,098</u>	<u>89,822</u>

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

RM'000	31/12/2017	30/09/2017
Total assets	290,950	290,581
Total liabilities	<u>(309,930)</u>	<u>(307,282)</u>

RM'000	1 st quarter	
	31/12/2017	31/12/2016
Revenue	-	-
Loss	<u>(2,280)</u>	<u>(123)</u>

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

9. Investment in an associate

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	49,529	47,585
Dividend received	<u>(32,544)</u>	<u>(32,544)</u>
	<u>85,712</u>	<u>83,768</u>
Fair value of investment in an associate for which there is published price quotation	<u>162,372</u>	<u>174,192</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
Total assets	286,422	277,154
Total liabilities	<u>(37,971)</u>	<u>(35,853)</u>

RM'000	<u>31/12/2017</u>	<u>31/12/2016</u>
	1 st quarter	
Revenue	63,697	65,060
Profit	<u>7,150</u>	<u>8,227</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 quarter, preceding and previous quarter are as follows.

RM'000	Revenue				Total
	F&B Malaysia	F&B Thailand	Property	Others	
<u>1st quarter - 31/12/2017</u>					
Total revenue	600,405	470,726	916	23,856	1,095,903
Inter-segment	-	(2,490)	(690)	(23,793)	(26,973)
External	600,405	468,236	226	63	1,068,930
<u>1st quarter - 31/12/2016</u>					
Total revenue	681,489	446,089	1,090	31,973	1,160,641
Inter-segment	(34,407)	(2,388)	(907)	(31,856)	(69,558)
External	647,082	443,701	183	117	1,091,083
<u>4th quarter - 30/09/2017</u>					
Total revenue	535,372	443,278	1,342	22,626	1,002,618
Inter-segment	-	(2,558)	(1,151)	(22,634)	(26,343)
External	535,372	440,720	191	(8)	976,275

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

12. Segmental information (cont'd)

Segment assets

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

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
F&B Malaysia	1,754,710	1,724,166
F&B Thailand	744,398	748,673
Property	117,638	117,759
Others	10,440	17,151
	<u>2,627,186</u>	<u>2,607,749</u>

Segment liabilities

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

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
F&B Malaysia	395,553	386,470
F&B Thailand	283,571	282,117
Property	763	1,143
Others	6,908	5,977
	<u>686,795</u>	<u>675,707</u>

13. Significant events

There were no significant events during the quarter.

14. Subsequent events

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

15. Changes in the composition of the Group

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

16. Contingent liabilities

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

17. Contingent assets

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

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

18. Fair value hierarchy

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

RM'000	Fair value	
	<u>31/12/2017</u>	<u>30/09/2017</u>
Derivative financial assets	28	137
Derivative financial liabilities	1,717	1,547

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

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

19. Capital and lease commitments

Capital commitments

The outstanding capital commitments are as follows:

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
<u>Property, plant and equipment</u>		
Contracted but not provided for	100,530	111,079
Authorised but not contracted for	209,680	257,545
	<u>310,210</u>	<u>368,624</u>

Lease commitments

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

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
<u>Non-cancellable operating lease commitments - Group as lessee</u>		
Future minimum rentals payable:		
- Not later than 1 year	13,577	13,927
- Later than 1 year and not later than 5 years	18,731	22,315
- Later than 5 years	1,015	1,052
	<u>33,323</u>	<u>37,294</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	
	31/12/2017	31/12/2016
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>		
Sales	(69,501)	(70,963)
Rental income	(81)	(110)
Purchases	31,280	47,761
Royalties paid	13,285	14,419
Corporate charges paid	220	-
Internal audit fees paid	137	466
<u>Vacaron Company Sdn Bhd</u>		
Sales	-	(2)
Receipt of corporate service fees	(30)	(84)
Finance income	(1,416)	(1,400)
Shareholder's loan granted	-	2,000
<u>Cocoaland Holdings Berhad Group</u>		
Purchases	1,295	1,444
<u>Thai Beverage Public Company Limited Group</u>		
Sales	(300)	(237)
Purchases	1,234	2,803
Marketing expenses	2,519	7,141
<u>Berli Jucker Public Company Limited Group</u>		
Sales	(15,082)	(9,629)
Purchases	6,534	13,457
Other expenses	75	44
<u>Other related parties of TCC Group</u>		
Sales	(105)	(623)
Purchases	11,022	4,391
Management fees	1,103	1,017
Insurance premium paid	118	-
Other expenses	37	165
<u>Permodalan Nasional Berhad ("PNB") Group *</u>		
Sales	(16,698)	(23,524)
Purchases	16,661	9,585
Rental of equipment paid	480	440
Other expenses	277	72
<u>Compensation</u>		
Compensation of key management personnel of the Group	5,000	5,603

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

20. Related party disclosure (cont'd)

Related party balances

The related party balances are shown below:

RM'000	<u>31/12/2017</u>	<u>30/09/2017</u>
<u>Amount due from related parties</u>		
F&N Limited Group	60,061	102,305
Vacaron Company Sdn Bhd	154,871	153,455
Cocoaland Holdings Berhad Group	-	4
Thai Beverage Public Company Limited Group	3,212	487
Berli Jucker Public Company Limited Group	10,363	9,006
Other related parties of TCC Group	31	38
PNB Group	15,434	8,577
<u>Amount due to related parties</u>		
F&N Limited Group	(39,626)	(39,470)
Frasers Centrepoint Limited Group	-	(3)
Vacaron Company Sdn Bhd	(3)	(34)
Cocoaland Holdings Berhad Group	(1,337)	(936)
Thai Beverage Public Company Limited Group	(3,372)	(3,951)
Berli Jucker Public Company Limited Group	(4,030)	(2,793)
Other related parties of TCC Group	(4,366)	(3,855)
PNB Group	(10,006)	(1,987)

* Permodalan Nasional Berhad ("PNB") is deemed a related party to F&NHB by virtue of PNB holding 20,884,000 shares as of 31 December 2017 through Amanahraya Trustees Berhad, representing 5.70% equity interest in F&NHB and having two nominee directors on the Board of F&NHB.

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

1. Operations review

Current quarter ended 31 December 2017 vs corresponding quarter ended 31 December 2016

Current quarter Group revenue declined marginally by 2.0% from RM1,091.1 million to RM1,068.9 million. Profit before tax declined by 20.1% from RM144.0 million to RM115.1 million. Excluding one-off items, profit before tax declined by 20.5%.

RM'000	Individual quarter		% chg
	31/12/2017	31/12/2016	
Revenue	1,068,930	1,091,083	-2.0%
Profit before tax	115,132	144,007	-20.1%
<u>One-off items:</u>			
- Restructuring costs	-	10,224	
- Provision for inventories damaged by fire	2,918	-	
- Others	-	(5,749)	
	2,918	4,475	
Profit before tax excluding one-off items	118,050	148,482	-20.5%

- F&B Malaysia

F&B Malaysia revenue declined by 7.2% to RM600.4 million compared with the corresponding quarter due to the following factors:

- market contraction in the beverages product categories in Malaysia;
- 2 weeks shift in sell-in window for 2018 Chinese New Year festive season;
- flood in the northern, eastern and southern states in peninsular Malaysia, and Sabah affected the business as retailers reduce their purchases in anticipation of the flood as Malaysia entered into monsoon season;
- continuing refinement of systems and processes post completion of transformation programme; and
- partly offset by double digit growth in F&B Malaysia exports, which helped ease the seasonal fluctuation in sales.

F&B Malaysia operating profit (excluding one-off item) declined by 39.8%, due to:

- higher input costs for the quarter compared to corresponding quarter last year, which should ease from second quarter onward;
- lower volume; and
- partly offset by operational cost savings and lower overheads.

RM'000	Individual quarter		% chg
	31/12/2017	31/12/2016	
Revenue	600,405	647,082	-7.2%
Operating profit	41,162	60,351	-31.8%
<u>One-off item:</u>			
- Restructuring costs	-	8,073	
Operating profit excluding one-off item	41,162	68,424	-39.8%

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

1. Operations review (cont'd)

Current quarter ended 31 December 2017 vs corresponding quarter ended 31 December 2016 (cont'd)

• F&B Thailand

F&B Thailand revenue grew by 5.5% to RM468.2 million, fuelled by double digit growth in exports to Indochina region and expansion of new distribution coverage in this region. Continued innovations in new products and packaging formats and increase in network and distribution points, supported by effective branding and consumer trade campaigns helped bolster the impact of challenging domestic market conditions in a soft economy.

F&B Thailand operating profit declined by 6.8% to RM72.7 million mainly due to:

- (i) higher input costs;
 - (ii) provision for inventories damaged in a fire at a co-manufacturer plant; and
 - (iii) partly offset by higher volume and lower spend on advertising and promotions.
- Excluding one-off item, F&B Thailand operating profit declined marginally by 3.1%.

RM'000	Individual quarter		% chg
	31/12/2017	31/12/2016	
Revenue	468,236	443,701	5.5%
Operating profit	72,710	78,050	-6.8%
<u>One-off item:</u>			
- Provision for inventories damaged by fire	2,918	-	
Operating profit excluding one-off item	75,628	78,050	-3.1%

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 2017 vs preceding 4th quarter ended 30 September 2017

Current quarter Group revenue improved by 9.5% to RM1,068.9 million. Excluding one-off items, profit before tax improved by 126.9% to RM118.1 million.

RM'000	Individual quarter		% chg
	31/12/2017	30/09/2017	
Revenue	1,068,930	976,275	9.5%
Profit before tax	115,132	19,390	493.8%
<u>One-off items:</u>			
- Restructuring costs	-	25,270	
- Provision for inventories damaged by fire	2,918	-	
- Others	-	7,359	
	2,918	32,629	
Profit before tax excluding one-off items	118,050	52,019	126.9%

- F&B Malaysia

F&B Malaysia revenue grew by 12.1% to RM600.4 million compared with the preceding quarter as the preceding quarter revenue was comparatively lower post Hari Raya festive season.

F&B Malaysia operating profit (excluding one-off items in the preceding quarter) improved by 119.2% to RM41.2 million due to higher volume, lower manufacturing overheads and operational cost savings.

RM'000	Individual quarter		% chg
	31/12/2017	30/09/2017	
Revenue	600,405	535,372	12.1%
Operating profit/(loss)	41,162	(11,468)	458.9%
<u>One-off items:</u>			
- Restructuring costs	-	24,937	
- Others	-	5,306	
	-	30,243	
Operating profit excluding one-off items	41,162	18,775	119.2%

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 2017 vs preceding 4th quarter ended 30 September 2017 (cont'd)

• F&B Thailand

F&B Thailand revenue grew by 6.2% to RM468.2 million compared to the preceding quarter mainly due selling-in for New Year festive season.

F&B Thailand operating profit (excluding one-off items in the preceding quarter) improved by 124.5% to RM75.6 million compared with the preceding quarter mainly due to higher revenue, lower advertising and promotional spending, and favourable input costs.

RM'000	Individual quarter		% chg
	31/12/2017	30/09/2017	
Revenue	468,236	440,720	6.2%
Operating profit	72,710	31,641	129.8%
<u>One-off items:</u>			
- Provision for inventories damaged by fire	2,918	-	
- Others	-	2,053	
Operating profit excluding one-off items	75,628	33,694	124.5%

3. Prospects

The Malaysian business environment is expected to remain challenging amidst market contraction in the beverages categories and intense competitive price pressure in the coming festive seasons. Operational cost savings from the transformation initiatives and efficiency through process improvement are expected to contribute positively to the Malaysian operations in the coming quarters.

The business outlook in Thailand is positive but management remains cautious about the state of consumer sentiment.

Our Malaysian and Thai businesses are expected to benefit as a net importer from the strengthening Ringgit and Thai Baht. However, this may present a challenge to our exports business.

Both businesses will continue to develop new product offerings and innovations, focused on fulfilling consumer's health agenda and demand for affordability, through the introduction of more products with lower sugar content, the right pack sizes and prices, and clearly differentiated products including into adjacent categories.

The Board and management will continue to be vigilant and take decisive actions to ensure sustainable growth for our businesses and expand our global reach for our Exports pillar.

4. Profit forecast or profit guarantee

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

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

5. Taxation

The details of the tax expense are as follows:

RM'000	1 st quarter	
	31/12/2017	31/12/2016
Current income tax	5,963	11,184
Deferred tax – origination and reversal of temporary differences	3,311	5,617
Overprovision in respect of previous years		
- Income tax	(28)	-
- Deferred tax	(939)	(69)
	<u>8,307</u>	<u>16,732</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	
	31/12/2017	31/12/2016
Profit before tax	<u>115,132</u>	<u>144,007</u>
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	27,632	34,562
Different tax rates in other countries	(3,292)	(3,553)
Income not subject to tax	(16,221)	(19,184)
Expenses not deductible for tax purposes	291	3,683
Utilisation of previously unrecognised tax losses	(373)	-
Recognition of previously unrecognised tax losses	(678)	-
Deferred tax assets not recognised	1,745	1,872
Overprovision in respect of previous years		
- Income tax	(28)	-
- Deferred tax	(939)	(69)
Share of results of a joint venture	274	15
Share of results of an associate	(467)	(537)
Others	363	(57)
Total income tax expense	<u>8,307</u>	<u>16,732</u>
Effective income tax rate	<u>7.2%</u>	<u>11.6%</u>

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

6. Status of corporate proposals

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

7. Group borrowings and debt securities

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

RM'000	Currency	31/12/2017	30/09/2017
<u>Current (unsecured)</u>			
Medium term notes ("MTN")	RM	300,000	150,000
Term loan	THB	62,140	47,458
		362,140	197,458
<u>Non-current (unsecured)</u>			
MTN	RM	-	150,000
Term loan	THB	-	31,639
		-	181,639
		362,140	379,097

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

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

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 (2017: 30.5 sen per share) for financial year ended 30 September 2017 is approved by shareholders at the Annual General Meeting of the Company on 24 January 2018. This dividend amounting to approximately RM111.8 million is payable on 9 February 2018 (entitlement date for the dividend is 29 January 2018).

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

10. Earnings per share (EPS)

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

	1 st quarter	
	<u>31/12/2017</u>	<u>31/12/2016</u>
Group attributable profit to shareholders of the Company (RM'000)	<u>106,834</u>	<u>127,278</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,072	365,961
Basic earnings per share (sen)	29.2	34.8

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

	1 st quarter	
	<u>31/12/2017</u>	<u>31/12/2016</u>
Group attributable profit to shareholders of the Company (RM'000)	<u>106,834</u>	<u>127,278</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,072	365,961
Adjustments pursuant to the SGP ('000)	<u>1,795</u>	<u>2,005</u>
Adjusted weighted average number of ordinary shares net of treasury shares ('000)	<u>367,867</u>	<u>367,966</u>
Diluted earnings per share (sen)	29.0	34.6

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	
	<u>31/12/2017</u>	<u>31/12/2016</u>
(a) Depreciation and amortisation	22,518	24,246
(b) Reversal of impairment loss on property, plant and equipment	(76)	(416)
(c) Net impairment loss on receivables	-	1
(d) Bad debts recovered	(1)	(1)
(e) Bad debts written off	-	-
(f) Inventories written down	5,437	14
(g) Reversal of inventories written down	(78)	(129)
(h) Inventories written off	2,525	2,352
(i) Net loss on disposal/write offs of property, plant and equipment/intangible assets	1,083	312
(j) Net loss/(gain) on foreign exchange	1,379	(4,503)
(k) Net loss/(gain) on forward foreign exchange contracts	279	(337)

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

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>31/12/2017</u>	<u>30/09/2017</u>
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	56,262	79,571
- Fair value	<u>(1,689)</u>	<u>(1,410)</u>

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

- (i) The credit risk, market risk and liquidity risk associated with these financial derivatives;
 - (ii) The cash requirements of the financial derivatives;
 - (iii) The policy in place for mitigating or controlling the risks associated with these financial derivatives; and
 - (iv) The related accounting policies.
- (b) Disclosure of gains/loss arising from fair value changes of derivative financial instruments

During the current quarter, the Group recognised a total net loss of RM279,000 (2017: net gain of RM337,000) 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 2017.