



FRASER & NEAVE HOLDINGS BHD
(Company No: 196101000155 (4205-V))
(Incorporated in Malaysia)

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For immediate release

QUARTERLY FINANCIAL REPORT

2nd Quarter Ended 31 March 2020

The Directors are pleased to release the unaudited quarterly financial report for the quarter and six months ended 31 March 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 2019:

- 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
4 May 2020

Schedule A : Unaudited Condensed Consolidated Income Statement

For the quarter and six months ended 31 March 2020

RM'000	Individual 2 nd quarter			Cumulative 2 nd quarter		
	31/03/2020	31/03/2019	% chg	31/03/2020	31/03/2019	% chg
Revenue	1,005,596	1,025,444	-1.9%	2,116,738	2,035,716	4.0%
Cost of sales	(692,883)	(710,122)		(1,450,321)	(1,400,492)	
Gross profit	312,713	315,322	-0.8%	666,417	635,224	4.9%
Other income	12,959	5,582		14,864	8,206	
Operating expenses	(195,231)	(190,780)		(392,962)	(361,380)	
Operating profit	130,441	130,124	0.2%	288,319	282,050	2.2%
Finance income	1,625	3,811		3,689	7,248	
Finance costs	(1,651)	(1,109)		(2,709)	(2,777)	
Share of profit of equity-accounted associate, net of tax [^]	3,693	2,619		5,473	4,512	
Share of loss of equity-accounted joint venture, net of tax [#]	(55)	(1,486)		(122)	(3,016)	
Profit before tax	134,053	133,959	0.1%	294,650	288,017	2.3%
Tax expense (Schedule G, Note 5)	(31,888)	(29,541)		(64,129)	(60,746)	
Profit for the year	102,165	104,418	-2.2%	230,521	227,271	1.4%
Profit for the year attributable to:						
Owners of the Company	102,173	104,427		230,538	227,289	
Non-controlling interests	(8)	(9)		(17)	(18)	
Profit for the year	102,165	104,418		230,521	227,271	
Basic earnings per ordinary share (sen) (Schedule G, Note 10)	27.9	28.5		62.9	62.0	
Diluted earnings per ordinary share (sen) (Schedule G, Note 10)	27.8	28.4		62.7	61.8	

[^] 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 31 December 2019 dated 26 February 2020. The cumulative results are the sum total of its quarterly results recognised by the Group for the six months ended 31 December 2019.

[#] The share of results of a joint venture for the quarter and cumulative results refers to Vacaron Company Sdn Bhd and are derived from its unaudited management accounts for the quarter and six months ended 31 March 2020.

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 2019.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income

For the quarter and six months ended 31 March 2020

RM'000	Individual 2 nd quarter			Cumulative 2 nd quarter		
	31/03/2020	31/03/2019	% chg	31/03/2020	31/03/2019	% chg
Profit for the year	102,165	104,418	-2.2%	230,521	227,271	1.4%
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	(15,566)	3,571		(16,646)	2,244	
Total comprehensive income for the year	86,599	107,989	-19.8%	213,875	229,515	-6.8%
Total comprehensive income attributable to:						
Owners of the Company	86,607	107,998		213,892	229,533	
Non-controlling interests	(8)	(9)		(17)	(18)	
	86,599	107,989	-19.8%	213,875	229,515	-6.8%

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 2019.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2020

RM'000	31/03/2020	30/09/2019
Non-current assets		
Property, plant and equipment	1,376,924	1,339,180
Right-of-use assets [^]	29,327	-
Investment properties (<i>Schedule F, Note 18</i>)	48,775	48,775
Properties held for development	56,047	56,047
Intangible assets	120,818	120,646
Investment in an associate (<i>Schedule F, Note 8</i>)	88,910	89,658
Investment in a joint venture (<i>Schedule F, Note 9</i>)	88,006	87,613
Deferred tax assets	5,018	6,234
	<u>1,813,825</u>	<u>1,748,153</u>
Current assets		
Trade and other receivables	697,671	599,996
Inventories	656,838	578,404
Current tax asset	2,388	7,567
Derivative financial assets (<i>Schedule F, Note 18</i>)	2,556	6
Cash and cash equivalents	373,056	569,719
	<u>1,732,509</u>	<u>1,755,692</u>
Total assets	3,546,334	3,503,845
Equity		
Share capital and reserves	2,622,695	2,529,324
Non-controlling interests	82	99
Total equity	2,622,777	2,529,423
Non-current liabilities		
Loans and borrowings (<i>Schedule G, Note 7</i>)	80,011	95,909
Lease liabilities [^]	12,166	-
Employee benefits	49,409	49,511
Deferred tax liabilities	37,853	33,994
	<u>179,439</u>	<u>179,414</u>
Current liabilities		
Trade and other payables	598,963	* 664,581
Contract liabilities	59,554	* 54,420
Loans and borrowings (<i>Schedule G, Note 7</i>)	26,671	27,402
Lease liabilities [^]	17,430	-
Current tax liabilities	41,022	48,469
Derivative financial liabilities (<i>Schedule F, Note 18</i>)	478	136
	<u>744,118</u>	<u>795,008</u>
Total liabilities	923,557	974,422
Total equity and liabilities	3,546,334	3,503,845
Net assets per share (RM) attributable to owners of the Company	<u>7.15</u>	<u>6.90</u>

* Please refer to Schedule F, Note 21.

[^] 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 2019.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2020

RM'000	Cumulative 2 nd quarter	
	31/03/2020	31/03/2019
Cash flows from operating activities		
Profit before tax	294,650	288,017
Add/(less) non-cash items:		
- Depreciation of property, plant and equipment and amortisation of intangible assets	53,193	50,313
- Depreciation of right-of-use assets	12,671	-
- Finance costs	2,709	2,777
- Finance income	(3,689)	(7,248)
- Investment property written off	-	543
- Inventories written off	3,021	4,532
- Net fair value (gain)/loss on derivatives	(2,208)	373
- Net impairment loss on receivables	213	81
- Net inventories written down	3,830	1,226
- Net loss on disposal of property, plant and equipment	44	74
- Net reversal of impairment loss on property, plant and equipment	(17)	(58)
- Property, plant and equipment written off	352	324
- Share-based payment transactions expense	4,547	110
- Share of profit of equity-accounted associate, net of tax	(5,473)	(4,512)
- Share of loss of equity-accounted joint venture, net of tax	122	3,016
- Others	792	(759)
Changes in working capital #	(244,786)	(26,272)
Tax paid	(59,913)	(8,804)
Net cash from operating activities	60,058	303,733
Cash flows from investing activities		
Acquisition of intangible assets	(1,048)	(32)
Acquisition of property, plant and equipment	(100,429)	(69,189)
Dividends received	6,221	3,733
Interest received	4,065	4,649
Investment in a joint venture	(500)	-
Proceeds from disposal of intangible assets	-	56
Proceeds from disposal of property, plant and equipment	175	84
Net cash used in investing activities	(91,516)	(60,699)
Cash flows from financing activities		
Dividend paid to owners of the Company	(121,037)	(111,867)
Interest paid	(2,644)	(5,699)
Purchase of shares by Share Grant Plan ("SGP") Trust	(3,807)	(1,877)
Payment of lease liabilities	(12,258)	-
Proceeds from loans and borrowings	-	51,440
Repayment of loans and borrowings	(13,335)	(207,870)
Net cash used in financing activities	(153,081)	(275,873)
Net decrease in cash and cash equivalents	(184,539)	(32,839)
Effects of exchange rate fluctuations on cash and cash equivalents	(12,124)	1,595
Cash and cash equivalents at 1 October 2019/2018	569,719	537,092
Cash and cash equivalents at 31 March	373,056	505,848
Cash and bank balances	235,881	287,859
Short term deposits with licensed banks with a maturity period of 3 months or less	137,175	217,989
	373,056	505,848

Included the interest amounting to RM15,000 (2019: RM2,959,000) 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 2019.

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

For the six months ended 31 March 2020

RM'000	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Non-distributable					Distributable					
	Share capital	Treasury shares	Shares held by SGP Trust (Note a)	Loss on purchase of shares for SGP (Note b)	Translation reserve	Share-based payment reserve	Legal reserve	Retained earnings			
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	-	-	-	-	(16,646)	-	-	230,538	213,892	(17)	213,875
Transactions with owners:											
Shares vested under SGP	-	-	6,399	(482)	-	(5,917)	-	-	-	-	-
Purchase of shares by SGP Trust	-	-	(3,807)	-	-	-	-	-	(3,807)	-	(3,807)
Employee share-based payment expense	-	-	-	-	-	4,323	-	-	4,323	-	4,323
Dividend to owners of the Company	-	-	-	-	-	-	-	(121,037)	(121,037)	-	(121,037)
Total transactions with owners	-	-	2,592	(482)	-	(1,594)	-	(121,037)	(120,521)	-	(120,521)
At 31 March 2020	816,770	-	(1,312)	(7,733)	105,924	11,097	9,934	1,688,015	2,622,695	82	2,622,777
At 30 September 2018, as previously stated	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,393,615	2,312,336	135	2,312,471
Adjustments from adoption of MFRS 15 *	-	-	-	-	-	-	-	(6,920)	(6,920)	-	(6,920)
At 30 September 2018, restated	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,386,695	2,305,416	135	2,305,551
Opening balance adjustments from adoption of MFRS 9 *	-	-	-	-	-	-	-	(2,003)	(2,003)	-	(2,003)
At 1 October 2018, restated	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,384,692	2,303,413	135	2,303,548
Total comprehensive income	-	-	-	-	2,244	-	-	227,289	229,533	(18)	229,515
Transactions with owners:											
Shares vested under SGP	-	-	6,874	(1,185)	-	(5,689)	-	-	-	-	-
Purchase of shares by SGP trust	-	-	(1,877)	-	-	-	-	-	(1,877)	-	(1,877)
Employee share-based payment expense	-	-	-	-	-	13	-	-	13	-	13
Transfer of treasury shares	-	1,716	(1,716)	-	-	-	-	-	-	-	-
Dividend to owners of the Company	-	-	-	-	-	-	-	(111,867)	(111,867)	-	(111,867)
Total transactions with owners	-	1,716	3,281	(1,185)	-	(5,676)	-	(111,867)	(113,731)	-	(113,731)
At 31 March 2019	816,770	-	(758)	(7,251)	89,659	10,747	9,934	1,500,114	2,419,215	117	2,419,332

* Please refer to Schedule F, Note 21.

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

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

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 2019.

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 six months ended 31 March 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 4 May 2020.

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 2019.

The audited consolidated financial statements of the Group for the year ended 30 September 2019 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 2019. 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 2019.

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 2019, 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 2019:

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

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

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

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

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 October 2019. Accordingly, the comparative information presented for financial year ended 30 September 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117 *Leases* and related interpretations.

With the adoption of MFRS 16, the right-of-use assets and lease liabilities are presented in the Statement of Financial Position for the financial year ending 30 September 2020. The right-of-use assets and lease liabilities as at 1 October 2019 is approximately 1% of total assets and 3% of total liabilities respectively. No significant impact on the Group's finance leases. The estimated impact on adoption of MFRS 16 is based on assessment performed to-date. The actual impact of adopting the standard may change until the Group presents its audited financial statements for the financial year ending 30 September 2020.

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 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*

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 annual periods beginning on or after 1 January 2022

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

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 *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.

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 March 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>31/03/2020</u>	<u>30/09/2019</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	70,768	65,295
Dividends received	(50,585)	(44,364)
	<u>88,910</u>	<u>89,658</u>
Market value of investment in an associate for which there is published price quotation	<u>93,939</u>	<u>120,690</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/03/2020</u>	<u>30/09/2019</u>
Total assets	297,807	300,143
Total liabilities	<u>(37,593)</u>	<u>(37,177)</u>

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2020</u>	<u>31/03/2019</u>	<u>31/03/2020</u>	<u>31/03/2019</u>
Revenue	70,229	61,253	129,713	126,752
Profit	<u>13,581</u>	<u>9,633</u>	<u>20,128</u>	<u>16,594</u>

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

9. Investment in a joint venture

RM'000	31/03/2020	30/09/2019
Unquoted shares, at cost	127,820	500
Share of post-acquisition reserves	(22,816)	(22,694)
	105,004	(22,194)
Shareholder's loan	-	126,820
Interest on shareholder's loan	38,294	38,279
	143,298	142,905
Less: Unrealised profit	(55,292)	(55,292)
	<u>88,006</u>	<u>87,613</u>

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

RM'000	31/03/2020	30/09/2019
Total assets	286,929	286,199
Total liabilities	(76,939)	(330,606)

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Revenue	-	-	-	-
Loss	(109)	(2,971)	(243)	(6,031)

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. Dividends paid

The following dividends were declared and paid by the Company:

RM'000	Date of payment	Sen per share	Total amount
<u>Six months ended 31 March 2020</u>			
Final 2019 ordinary	13 February 2020	33.0	<u>121,037</u>
<u>Six months ended 31 March 2019</u>			
Final 2018 ordinary	15 February 2019	30.5	<u>111,867</u>

Please refer to Schedule G, Note 9 for dividend declared subsequent to 31 March 2020.

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>2nd quarter - 31/03/2020</u>					
Total revenue	499,184	508,897	842	22,956	1,031,879
Inter-segment	-	(4,701)	(559)	(21,023)	(26,283)
External	499,184	504,196	283	1,933	1,005,596
<u>2nd quarter - 31/03/2019</u>					
Total revenue	541,548	486,900	844	21,562	1,050,854
Inter-segment	-	(3,285)	(599)	(21,526)	(25,410)
External	541,548	483,615	245	36	1,025,444
<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>Cumulative 2nd quarter - 31/03/2020</u>					
Total revenue	1,084,157	1,040,873	1,686	44,523	2,171,239
Inter-segment	-	(10,826)	(1,121)	(42,554)	(54,501)
External	1,084,157	1,030,047	565	1,969	2,116,738
<u>Cumulative 2nd quarter - 31/03/2019</u>					
Total revenue	1,094,997	947,582	1,623	45,707	2,089,909
Inter-segment	-	(7,451)	(1,134)	(45,608)	(54,193)
External	1,094,997	940,131	489	99	2,035,716

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

12. Segmental information (cont'd)

Segment assets

The total of segment assets is measured based on all assets excluding investments in associate and joint venture, deferred tax assets, current tax asset and cash and cash equivalents.

RM'000	<u>31/03/2020</u>	<u>30/09/2019</u>
F&B Malaysia	1,934,580	1,792,899
F&B Thailand	912,228	822,398
Property	116,642	116,656
Others	25,506	11,101
	<u>2,988,956</u>	<u>2,743,054</u>

Segment liabilities

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

RM'000	<u>31/03/2020</u>	<u>30/09/2019</u>
F&B Malaysia	391,371	427,495
F&B Thailand	343,095	336,858
Property	689	810
Others	2,845	3,485
	<u>738,000</u>	<u>768,648</u>

13. Significant event

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

14. Subsequent events

Subsequent events are as follows:

(i) Announcement dated 6 April 2020

The Board of F&NHB announced that F&NHB, D.Y.M.M. Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail ("DYMM Tuanku") and F&N AgriValley had on the same date entered into a shareholders' agreement pursuant to which DYMM Tuanku had subscribed for 30% of the issued and paid up share capital of F&N AgriValley in accordance with the terms of the Shareholders' Agreement. Further details of the above share subscription were set out in the said announcement.

(ii) Announcement dated 9 April 2020

Pursuant to the conditional sale and purchase agreement ("SPA") in relation to the proposed acquisition of approximately 4,453.92 hectares of leasehold land located in Mukim Chuping, Daerah Perlis, Negeri Perlis and as one of the conditions precedent to the SPA, F&N AgriValley was required to obtain the approval from the Ministry of Economic Affairs (formerly known as the Economic Planning Unit of the Prime Minister's Department of Malaysia) ("EPU Approval") on or before 8th April 2020.

The Board of F&NHB announced that MSM Perlis had in response to F&N AgriValley's request for an extension of time to fulfil the condition precedent to obtain EPU Approval,

- (a) declined to grant any extension of time for the satisfaction of the condition precedent under the SPA; and
- (b) gave notice to rescind the SPA and to refund the deposit to F&N AgriValley in accordance with the SPA.

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

14. Subsequent events (cont'd)

(iii) Announcement dated 24 April 2020

The Board of F&NHB announced that F&N AgriValley has since the announcement dated 9 April 2020 received the refund of the deposit paid under the SPA. F&NHB Board have decided that the F&NHB Group will pursue and evaluate other opportunities for its proposed integrated crop and dairy farming project when such opportunities arise.

There were no other 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.

18. Fair value hierarchy

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

RM'000	Fair value	
	31/03/2020	30/09/2019
Derivative financial assets	2,556	6
Derivative financial liabilities	478	136

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 RM48,775,000 (2019: RM48,775,000) carried at Level 3: significant unobservable inputs.

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

19. Capital commitments

Capital expenditure commitments

The outstanding capital commitments are as follows:

RM'000	31/03/2020	30/09/2019
<u>Property, plant and equipment</u>		
Contracted but not provided for	141,566	206,831
Authorised but not contracted for	127,909	230,691
	<u>269,475</u>	<u>437,522</u>

20. Related party disclosures

Significant related party transactions

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>				
Sales	72,817	63,559	143,598	122,610
Purchases	(52,347)	(50,898)	(108,386)	(95,904)
Royalties paid	(11,779)	(13,464)	(26,376)	(27,268)
Receipt of corporate service fees and staff costs	1,969	-	1,970	2
<u>Vacaron Company Sdn Bhd</u>				
Finance income	-	1,463	15	2,959
<u>Cocoaland Holdings Berhad Group</u>				
Dividend income	-	-	6,221	3,733
<u>Thai Beverage Public Company Limited Group</u>				
Sales	388	456	1,113	896
Purchases	(1,329)	(283)	(4,574)	(1,616)
Marketing expenses	(6,804)	(4,828)	(13,300)	(8,682)
Corporate service fees paid	(584)	(776)	(1,111)	(806)
Other income/(expenses)	1,619	(154)	1,983	(196)
<u>Berli Jucker Public Company Limited Group</u>				
Sales	20,818	15,037	44,139	30,408
Purchases	(4,848)	(8,504)	(16,615)	(15,806)
Transportation expenses	(2,995)	(2,562)	(6,004)	(4,968)
<u>Other related parties of TCC Group</u>				
Purchases	(17,029)	(10,842)	(28,300)	(21,955)
Management fees	(151)	(920)	(307)	(1,436)
Insurance premium paid	(791)	(1,444)	(1,624)	(1,560)

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

20. Related party disclosures (cont'd)

Significant related party transactions (cont'd)

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
<u>Permodalan Nasional Berhad ("PNB") Group *</u>				
Sales	9,408	15,077	30,398	33,513
Purchases	(7,453)	(11,267)	(24,518)	(16,793)
Rental of equipment paid	(775)	(790)	(1,355)	(1,482)
<u>Compensation</u>				
Compensation of key management personnel of the Group	(3,354)	(3,310)	(8,029)	(6,893)
Directors' fees and remuneration	(400)	(245)	(644)	(531)

* PNB is deemed a related party to F&NHB by virtue of PNB holding 26,290,000 shares as of 31 March 2020 through Amanahraya Trustees Berhad, representing 7.17% equity interest in F&NHB.

Related party balances

The related party balances are shown below:

RM'000	31/03/2020	30/09/2019
<u>Amount due from related parties</u>		
F&N Limited Group	60,177	61,234
Frasers Property Limited Group	20	51
Vacaron Company Sdn Bhd	38,315	165,130
Cocoaland Holdings Berhad Group	4	4
Thai Beverage Public Company Limited Group	300	437
Berli Jucker Public Company Limited Group	18,294	15,523
Other related parties of TCC Group	7	10
PNB Group	9,971	7,253
<u>Amount due to related parties</u>		
F&N Limited Group	(40,571)	(33,940)
Frasers Property Limited Group	(192)	(10)
Thai Beverage Public Company Limited Group	(4,977)	(4,892)
Berli Jucker Public Company Limited Group	(3,962)	(4,199)
Other related parties of TCC Group	(7,941)	(3,417)
PNB Group	(1,999)	(10,600)

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

21. Change in comparatives

The comparatives for the quarter ended 31 March 2020 have been restated as follows:

RM'000	As previously stated	Adjustments / Reclassification			As restated
		(a)	(b)	(c)	
<u>Consolidated statement of financial position:</u>					
<u>As at 30 September 2019</u>					
Trade and other payables	719,001	-	-	(54,420)	664,581
Contract liabilities	-	-	-	54,420	54,420
<u>Consolidated statement of changes in equity:</u>					
<u>As at 30 September 2018</u>					
Retained earnings	1,393,615	-	(6,920)	-	1,386,695
<u>As at 1 October 2018</u>					
Retained earnings	1,393,615	(2,003)	(6,920)	-	1,384,692

(a) *Being adjustments pursuant to the adoption of MFRS 9 Financial Instruments.*

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

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

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

1. Operations review

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

Group revenue for the current quarter eased marginally by 1.9% from RM1,025.4 million to RM1,005.6 million from adverse impact of the COVID-19 pandemic and movement control measures on consumer demand. Group operating profit and profit before tax maintained at RM130 million and RM134 million respectively, with positive contribution from F&B Thailand.

- F&B Malaysia

F&B Malaysia current quarter revenue declined by 7.8% from RM541.5 million to RM499.2 million due to:

- (i) earlier sell-in for Chinese New Year this year;
- (ii) adverse impact from COVID-19 outbreak and the containment measures implemented; and
- (iii) partially offset by higher growth in export revenue, especially in the ASEAN and Greater China region. Although there is growth compared to last year, growth was limited due to postponement of orders due to lockdown and quarantine imposed on shipping vessels in certain countries due to COVID-19.

F&B Malaysia operating profit declined by 13.7% from RM28.2 million to RM24.3 million mainly due to lower revenue, higher dairies input cost, unfavourable foreign currency impact and partially offset by lower advertising and promotions spend.

- F&B Thailand

Aided by favourable RM/THB forex translation, F&B Thailand revenue rose 4.3% (+1.3% in Thai Baht terms) from RM483.6 million to RM504.2 million. Amidst the impact of the COVID-19 outbreak, revenue in Thai Baht terms grew marginally by 1.3% contributed by:

- (i) higher load of shipments delivered ahead for the export OEM business;
- (i) products front-loaded into the trade ahead of the emergency decree implemented in Thailand from 26 March 2020; and
- (ii) slight growth in the Indochina market.

Operating profit for F&B Thailand rose 2.5% (+0.7% in Thai Baht terms) from RM103.0 million to RM105.5 million mainly due to net favourable input costs aided by a stronger Thai Baht and offset by higher marketing and trade spending.

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

1. Operations review (cont'd)

Half year vs corresponding period last year

Group revenue for the 1st half ended 31 March 2020 grew by 4.0% from RM2,035.7 million to RM2,116.7 million, whilst Group operating profit and profit before tax rose 2.2% and 2.3% respectively, with sustained growth contributed by F&B Thailand.

• F&B Malaysia

Amidst a backdrop of global and domestic uncertainties, subdued consumer demand and the COVID-19 pandemic outbreak, F&B Malaysia managed to maintain same volume as last year despite revenue slipping marginally by 1.0% bolstered by double digit growth in exports and supported by a stream of new products/variants such as:

- Sunkist Pure Juice Drink in 2 variants - Orange and Lemon Apple;
- 100PLUS Zero, sugar-free and calorie-free variant;
- F&N Teapot Sweetened Condensed Milk Squeeze Tube in 2 new local flavours - Gula Melaka and Pandan;
- F&N Ice Mountain Sparkling Water Classic and 2 refreshing flavours (Lemon and Grapefruit);
- F&N Classic recipes – F&N Orange Crush and Sarsi in portion-controlled pack size;
- two new premium no sugar Japanese Green Tea – OYOSHI Gold No Sugar Kabusecha and OYOSHI Gold No Sugar Sencha; and
- F&N Teh Tarik Ori.

F&B Malaysia operating profit declined by 9.5% to RM73.0 million mainly due to net unfavourable dairies input costs.

• F&B Thailand

F&B Thailand achieved revenue of RM1,030.0 million for the 1st half year, 9.6% higher revenue (+3.7% in Thai Baht terms) mainly due to a strong 1st quarter performance. Positive growth was contributed by:

- (i) successful customer loyalty programme and hawker installation initiatives nationwide;
- (ii) wider outlet coverage;
- (iii) new product launches:
 - new variant for TEAPOT Sweetened Condensed Milk Squeeze Tube in Matcha flavour;
 - CARNATION and TEAPOT Evaporated Milk in 1 kg pouch; and
 - CARNATION Plus 0% Fat Sweetened Condensed Milk Squeeze Tube;
- (iv) and aided by favourable RM/THB forex translation.

F&B Thailand operating profit improved by 7.0% to RM216.4 million (+2.1% in Thai Baht terms) contributed by higher revenue, net favourable input and packaging costs offset by higher marketing spend for new product launches.

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 March 2020 vs preceding 1st quarter ended 31 December 2019

Current quarter Group revenue declined by 9.5% to RM1,005.6 million (1st quarter: RM1,111.1 million) mainly due to:

- (i) adverse impact of COVID-19 outbreak and weaker consumer sentiment for both F&B Malaysia and F&B Thailand in 2nd quarter;
- (ii) earlier sell in for Chinese New Year festive season and export growth in the 1st quarter for F&B Malaysia; and
- (iii) stronger 1st quarter performance from F&B Thailand.

Group profit before tax correspondingly declined by 16.5% to RM134.1 million (1st quarter: RM160.6 million) from lower revenue, higher input and packaging costs and foreign exchange impact from strengthening US Dollar.

3. Prospects

The ongoing COVID-19 pandemic outbreak and the containment measures have posed an unprecedented challenge to the global economy. Malaysia has implemented movement control order and state of emergency was declared in Thailand. Economic activities in many of our export markets have also been adversely affected by the pandemic. All our plants continue to operate, although with smaller workforce and with stringent safety measures in place to safeguard the wellbeing of our staff. At the same time, we are working closely with our suppliers and trade partners to ensure minimal supply disruption of our products during this period and explore opportunities to sustain mutual growth.

Against this backdrop, we believe weak consumer demand will continue in 2nd half of our financial year, particularly for our beverage sales. While there are many uncertainties as the crisis is still unfolding, we remain positive given our strong fundamentals. Our robust balance sheet and strong portfolio of brands will help us weather the ongoing headwinds.

We have adjusted and sharpened our route-to-market and channel strategies in view of the movement restrictions, changes in consumer buying behaviour and in preparation for 2020 Hari Raya festive sales. We will continue to execute cost optimisation initiatives to deliver efficiencies and savings and reinvest in our brands. We have hedged a portion of our raw materials requirements ahead for the financial year to mitigate the impact of the rise in certain dairies input prices. We are strengthening our businesses so as to be ready when economic activities eventually normalise and consumer demand recover.

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	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Current income tax	29,233	27,412	59,028	53,621
Deferred tax – origination and reversal of temporary differences	994	2,061	2,978	6,978
Under provision in respect of previous years				
- Income tax	176	-	166	-
- Deferred tax	1,485	68	1,957	147
	<u>31,888</u>	<u>29,541</u>	<u>64,129</u>	<u>60,746</u>

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit before tax	<u>134,053</u>	<u>133,959</u>	<u>294,650</u>	<u>288,017</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	32,173	32,150	70,716	69,124
Effect of tax rates in foreign jurisdictions	(4,778)	(4,623)	(9,897)	(9,208)
Tax exempt income	(8,554)	1,661	(11,271)	(56)
Non-deductible expenses charged	1,032	1,007	2,090	1,482
Utilisation of previously unrecognised tax losses	-	(420)	-	(420)
Deferred tax assets recognised	-	(379)	-	(500)
Under provision of income and deferred tax in prior years	1,661	68	2,123	147
Foreign withholding tax	11,228	349	11,653	536
Share of results of an associate	(887)	(629)	(1,314)	(1,083)
Share of results of a joint venture	13	357	29	724
Total income tax expense	<u>31,888</u>	<u>29,541</u>	<u>64,129</u>	<u>60,746</u>
Effective income tax rate	<u>23.8%</u>	<u>22.1%</u>	<u>21.8%</u>	<u>21.1%</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 and borrowings are as follows:

RM'000	<u>Currency</u>	<u>31/03/2020</u>	<u>30/09/2019</u>
<u>Non-current (unsecured)</u>			
Term loan	THB	80,011	95,909
<u>Current (unsecured)</u>			
Term loan	THB	26,671	27,402
		<u>106,682</u>	<u>123,311</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.

As at 31 March 2020, the unutilised CP/MTN facility available for use amounted to RM1,500,000,000 (2019: RM1,500,000,000).

Term loan

On 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited was granted a 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 March 2020, the outstanding balance for the term loan amounted to Thai Baht 800,000,000 (2019: Thai Baht 900,000,000).

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 declared subsequent to 31 March 2020

The Directors are pleased to declare an interim single tier dividend of 27 sen per share (2019: 27 sen) for the financial year ending 30 September 2020. This dividend amounting to approximately RM99.0 million will be paid on 12 June 2020.

The entitlement date for the above dividend shall be 20 May 2020 and a depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred into the depositor's securities account before 4.00pm on 20 May 2020 in respect of ordinary transfer; and
- (b) Shares bought on BURSA MALAYSIA SECURITIES BERHAD on a cum entitlement basis according to the Rules of the BURSA MALAYSIA SECURITIES BERHAD.

10. Earnings per ordinary share (EPS)

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

	Individual 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2020</u>	<u>31/03/2019</u>	<u>31/03/2020</u>	<u>31/03/2019</u>
Profit for the year attributed to owners of the Company (RM'000)	<u>102,173</u>	<u>104,427</u>	<u>230,538</u>	<u>227,289</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>366,839</u>	<u>366,973</u>	<u>366,591</u>	<u>366,743</u>
Basic earnings per ordinary share (sen)	<u>27.9</u>	<u>28.5</u>	<u>62.9</u>	<u>62.0</u>

- (b) The calculation of diluted earnings per ordinary share at 31 March 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:

	Individual 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2020</u>	<u>31/03/2019</u>	<u>31/03/2020</u>	<u>31/03/2019</u>
Profit for the year attributed to owners of the Company (RM'000)	<u>102,173</u>	<u>104,427</u>	<u>230,538</u>	<u>227,289</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>366,839</u>	<u>366,973</u>	<u>366,591</u>	<u>366,743</u>
Adjustments pursuant to the SGP ('000)	<u>1,048</u>	<u>1,044</u>	<u>1,049</u>	<u>1,044</u>
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>367,887</u>	<u>368,017</u>	<u>367,640</u>	<u>367,787</u>
Diluted earnings per ordinary share (sen)	<u>27.8</u>	<u>28.4</u>	<u>62.7</u>	<u>61.8</u>

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

11. Notes to the Condensed Consolidated Income Statement

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2020</u>	<u>31/03/2019</u>	<u>31/03/2020</u>	<u>31/03/2019</u>
(a) Depreciation of property, plant and equipment and amortisation of intangible assets	26,435	25,029	53,193	50,313
(b) Depreciation of right-of-use assets	6,540	-	12,671	-
(c) Net reversal of impairment loss on property, plant and equipment	(8)	(29)	(17)	(58)
(d) Net impairment loss charge/(reversed) on receivables	214	(50)	213	81
(e) Bad debts recovered	-	(34)	-	(34)
(f) Bad debts written off	-	-	-	-
(g) Net inventories written down	2,585	1,231	3,830	1,226
(h) Inventories written off	2,454	3,257	3,021	4,532
(i) Net loss on disposal/write-offs of property, plant and equipment	177	217	396	397
(j) Net (gain)/loss on foreign exchange	(2,829)	1,500	(1,688)	1,195
(k) Net fair value (gain)/loss on derivatives	(2,559)	(16)	(2,208)	373

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:

	31/03/2020		30/09/2019	
	Notional value	Fair value RM'000	Notional value	Fair value RM'000
Forward foreign exchange contracts (less than 1 year)				
USD ('000)	21,127	2,477	2,400	(49)
AUD ('000)	2,603	(399)	2,042	(81)
		<u>2,078</u>		<u>(130)</u>

There is no significant change for the financial derivatives in respect of the following since the year ended 30 September 2019:

- (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 RM2,208,000 (2019: net loss of RM373,000) in the consolidated income statement arising from the fair value changes on the foreign exchange contracts which are marked-to-market as at 31 March 2020.