



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

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For immediate release

QUARTERLY FINANCIAL REPORT

First Quarter Ended 31 December 2022

The Directors are pleased to release the unaudited quarterly financial report for the three months ended 31 December 2022.

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 financial year ended 30 September 2022:

- 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 financial year had been followed throughout this quarterly financial report.

By Order of the Board
Selangor
3 February 2023

Schedule A : Unaudited Condensed Consolidated Income Statement

For the three months ended 31 December 2022

RM'000	1 st quarter		% chg
	31/12/2022	31/12/2021	
Revenue	1,218,486	1,106,616	10.1%
Cost of sales	(880,504)	(808,472)	
Gross profit	337,982	298,144	13.4%
Other income	98,275	3,096	
Net loss on impairment of financial instruments	131	151	
Operating expenses	(211,532)	(194,190)	
Operating profit	224,856	107,201	109.8%
Finance income	2,592	894	
Finance costs	(8,924)	(1,011)	
Share of profit of equity-accounted associate, net of tax [^]	3,913	1,108	
Share of loss of equity-accounted joint venture, net of tax [#]	(29)	(45)	
Profit before tax	222,408	108,147	105.7%
Tax expense (Schedule G, Note 5)	(24,555)	(15,201)	
Profit for the period	197,853	92,946	112.9%
Profit for the period attributable to:			
Owners of the Company	198,798	92,953	113.9%
Non-controlling interests	(945)	(7)	
Profit for the period	197,853	92,946	112.9%
Basic earnings per ordinary share (sen) (Schedule G, Note 10)	55.2	25.4	
Diluted earnings per ordinary share (sen) (Schedule G, Note 10)	55.1	25.3	

[^] The share of results of an associate for the quarter refers to Cocoland Holdings Berhad and is derived from its unaudited management accounts for the period ended 31 October 2022. Cocoland Holdings Berhad was accounted as a wholly-owned subsidiary from 4 November 2022.

[#] 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 2022.

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 financial year ended 30 September 2022.

Schedule B : Unaudited Condensed Consolidated Statement of Comprehensive Income
 For the three months ended 31 December 2022

RM'000	1 st quarter		% chg
	31/12/2022	31/12/2021	
Profit for the period	197,853	92,946	112.9%
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	30,440	6,494	
Total comprehensive income for the period	228,293	99,440	129.6%
Total comprehensive income attributable to:			
Owners of the Company	229,238	99,447	130.5%
Non-controlling interests	(945)	(7)	
	228,293	99,440	129.6%

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 financial year ended 30 September 2022.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position
 As at 31 December 2022

RM'000	31/12/2022	30/09/2022
Non-current assets		
Property, plant and equipment	1,560,707	1,458,344
Right-of-use assets	374,050	122,133
Investment properties	49,418	47,569
Properties held for development	54,933	54,933
Intangible assets	493,012	91,925
Investment in an associate (<i>Schedule F, Note 8</i>)	-	93,465
Investment in a joint venture (<i>Schedule F, Note 9</i>)	87,833	87,362
Deferred tax assets	6,333	5,178
	<u>2,626,286</u>	<u>1,960,909</u>
Current assets		
Trade and other receivables	790,602	866,369
Inventories	921,530	901,377
Derivative financial assets (<i>Schedule F, Note 17</i>)	35	88
Cash and cash equivalents	625,814	461,887
	<u>2,337,981</u>	<u>2,229,721</u>
Total assets	<u>4,964,267</u>	<u>4,190,630</u>
Equity		
Share capital and reserves	3,210,950	2,982,523
Non-controlling interests	2,327	1,866
Total equity	<u>3,213,277</u>	<u>2,984,389</u>
Non-current liabilities		
Loans and borrowings (<i>Schedule G, Note 7</i>)	709,000	210,000
Lease liabilities	52,720	53,021
Employee benefits	35,795	35,696
Deferred tax liabilities	83,208	74,180
	<u>880,723</u>	<u>372,897</u>
Current liabilities		
Trade and other payables	725,723	693,017
Contract liabilities	94,607	66,996
Loans and borrowings (<i>Schedule G, Note 7</i>)	1,000	36,833
Lease liabilities	12,815	10,270
Current tax liabilities	35,790	26,164
Derivative financial liabilities (<i>Schedule F, Note 17</i>)	332	64
	<u>870,267</u>	<u>833,344</u>
Total liabilities	<u>1,750,990</u>	<u>1,206,241</u>
Total equity and liabilities	<u>4,964,267</u>	<u>4,190,630</u>
Net assets per share (RM) attributable to owners of the Company	<u>8.75</u>	<u>8.13</u>

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 financial year ended 30 September 2022.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the three months ended 31 December 2022

RM'000	1 st quarter	
	31/12/2022	31/12/2021
Cash flows from operating activities		
Profit before tax	222,408	108,147
Add/(less) non-cash items:		
- Depreciation of property, plant and equipment and amortisation of intangible assets	26,119	26,343
- Depreciation of right-of-use assets	5,552	5,109
- Employee share-based expense	1,298	1,513
- Finance costs	8,924	1,011
- Finance income	(2,592)	(894)
- Net impairment loss on property, plant and equipment	182	20,006
- Net gain on disposal of property, plant and equipment	(179)	(78)
- Property, plant and equipment written off	74	286
- Remeasurement gain of the previously held equity interest in an associate	(89,256)	-
- Share of profit of equity-accounted associate, net of tax	(3,913)	(1,108)
- Share of loss of equity-accounted joint venture, net of tax	29	45
- Others	(334)	499
Changes in working capital	169,133	(88,623)
Tax paid	(14,569)	(1,836)
Net cash from operating activities	322,876	70,420
Cash flows from investing activities		
Acquisition of intangible assets	(551)	(855)
Acquisition of property, plant and equipment	(31,456)	(68,656)
Acquisition of subsidiaries, net of cash and cash equivalent	(597,951)	-
Interest received	2,163	685
Investment in a joint venture	(500)	-
Proceeds from disposal of property, plant and equipment	599	353
Net cash used in investing activities	(627,696)	(68,473)
Cash flows from financing activities		
Interest paid	(3,088)	(952)
Payment of lease liabilities	(4,417)	(3,795)
Proceeds from loans and borrowings	500,000	-
Purchase of shares by Share Grant Plan ("SGP") Trust	(2,091)	(516)
Repayment of loans and borrowings	(38,168)	-
Net cash from/(used in) financing activities	452,236	(5,263)
Net increase/(decrease) in cash and cash equivalents	147,416	(3,316)
Effects of exchange rate fluctuations on cash and cash equivalents	16,511	3,694
Cash and cash equivalents at 1 October 2022/2021	461,887	555,380
Cash and cash equivalents at 31 December	625,814	555,758
Cash and bank balances	334,244	464,130
Short term deposits with licensed banks with a maturity period of 3 months or less	291,570	91,628
Cash and cash equivalents at 31 December	625,814	555,758

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 financial year ended 30 September 2022.

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

For the three months ended 31 December 2022

RM'000	----- Attributable to owners of the Company ----->							Total	Non-controlling interests	Total equity
	<----- Non-distributable ----->				Distributable					
	Share capital	Shares held by SGP Trust (Note a)	Loss on purchase of shares for SGP (Note b)	Translation reserve	Share-based payment reserve	Legal reserve	Retained earnings			
At 1 October 2022	816,770	(6,387)	(8,978)	41,565	15,539	9,934	2,114,080	2,982,523	1,866	2,984,389
Total comprehensive income/(expense)	-	-	-	30,440	-	-	198,798	229,238	(945)	228,293
Transactions with owners:										
Purchase of shares by SGP Trust	-	(2,091)	-	-	-	-	-	(2,091)	-	(2,091)
Employee share-based expense	-	-	-	-	1,280	-	-	1,280	-	1,280
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,406	1,406
Total transactions with owners	-	(2,091)	-	-	1,280	-	-	(811)	1,406	595
At 31 December 2022	816,770	(8,478)	(8,978)	72,005	16,819	9,934	2,312,878	3,210,950	2,327	3,213,277
At 1 October 2021	816,770	(4,626)	(9,275)	48,002	12,926	9,934	1,945,234	2,818,965	(195)	2,818,770
Total comprehensive income/(expense)	-	-	-	6,494	-	-	92,953	99,447	(7)	99,440
Transactions with owners:										
Purchase of shares by SGP Trust	-	(516)	-	-	-	-	-	(516)	-	(516)
Employee share-based expense	-	-	-	-	1,497	-	-	1,497	-	1,497
Total transactions with owners	-	(516)	-	-	1,497	-	-	981	-	981
At 31 December 2021	816,770	(5,142)	(9,275)	54,496	14,423	9,934	2,038,187	2,919,393	(202)	2,919,191

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 2022 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 3 February 2023.

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 financial year ended 30 September 2022.

The audited consolidated financial statements of the Group for the year ended 30 September 2022 are available upon request from the Company’s registered office at No. 1, Jalan Bukit Belimbing 26/38, Persiaran Kuala Selangor, Seksyen 26, 40400 Shah Alam, Selangor, Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2022. 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 financial year ended 30 September 2022.

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 financial year ended 30 September 2022.

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

3. Standards issued but not yet effective

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

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

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

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

The adoption of the above standards, interpretations and amendments are not expected to have any 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.

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

6. Unusual items due to their nature, size and incidence

There were no other unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter other than as disclosed in *Schedule G, Note 11*.

7. Significant estimates and changes in estimates

There were no significant estimates or changes in estimates that have had any material effect on the results of the current quarter.

8. Investment in an associate

RM'000	<u>31/12/2022</u>	<u>30/09/2022</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	90,434	86,521
Dividends received	(61,783)	(61,783)
Deemed disposal *	(97,378)	-
	<u>-</u>	<u>93,465</u>
Market value of investment in an associate for which there is published price quotation	<u>-</u>	<u>184,146</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/12/2022</u>	<u>30/09/2022</u>
Total assets	-	309,004
Total liabilities	<u>-</u>	<u>(36,735)</u>

RM'000	1 st quarter	
	<u>31/12/2022</u>	<u>31/12/2021</u>
Revenue	91,721	46,014
Profit	<u>14,169</u>	<u>4,076</u>

* Please refer to *Schedule F, Note 13* for disclosure of significant events on the investment in an associate.

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

9. Investment in a joint venture

RM'000	31/12/2022	30/09/2022
Unquoted shares, at cost	128,320	127,820
Share of post-acquisition reserves	(23,489)	(23,460)
	104,831	104,360
Interest on shareholder's loan	38,294	38,294
	143,125	142,654
Less: Unrealised profit	(55,292)	(55,292)
	87,833	87,362

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

RM'000	31/12/2022	30/09/2022
Total assets	286,573	285,684
Total liabilities	(76,928)	(76,982)

RM'000	1 st quarter	
	31/12/2022	31/12/2021
Revenue	-	-
Loss	(58)	(90)

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 except as disclosed in *Schedule G, Note 7*.

11. Dividend paid

No dividend has been paid in this quarter.

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

12. Segmental information

Segment results

For management purposes, the Group's operating businesses are organised according to products and services, namely Food and Beverages Malaysia ("F&B Malaysia"), Food and Beverages Thailand ("F&B Thailand"), Property and Others segments. Segment performance is evaluated based on operating profit. Inter-segment transactions and pricing arrangements, where applicable, are determined on a commercial basis. The results by segments for the current, preceding and last year same quarter are as follows:

RM'000	Revenue				Total
	F&B Malaysia	F&B Thailand	Property	Others	
<u>1st quarter - 31/12/2022</u>					
Total revenue	713,264	514,405	736	21,473	1,249,878
Inter-segment	-	(10,215)	(548)	(20,629)	(31,392)
External	713,264	504,190	188	844	1,218,486
<u>1st quarter - 31/12/2021</u>					
Total revenue	575,585	535,659	812	18,886	1,130,942
Inter-segment	-	(5,816)	(660)	(17,850)	(24,326)
External	575,585	529,843	152	1,036	1,106,616
<u>4th quarter - 30/09/2022</u>					
Total revenue	600,568	542,949	879	18,081	1,162,477
Inter-segment	-	(7,182)	(700)	(16,986)	(24,868)
External	600,568	535,767	179	1,095	1,137,609

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

12. Segmental information (cont'd)

Segment assets

The total of segment assets is measured based on all assets excluding cash and cash equivalents.

RM'000	<u>31/12/2022</u>	<u>30/09/2022</u>
F&B Malaysia	2,837,223	2,136,711
F&B Thailand	1,069,039	1,073,411
Property	201,140	200,843
Others	231,051	317,778
	<u>4,338,453</u>	<u>3,728,743</u>

Segment liabilities

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

RM'000	<u>31/12/2022</u>	<u>30/09/2022</u>
F&B Malaysia	625,278	555,745
F&B Thailand	402,822	395,127
Property	1,538	1,686
Others	11,352	6,850
	<u>1,040,990</u>	<u>959,408</u>

13. Significant events during the quarter

(a) On 25 April 2022, F&NHB indirect 65%-owned subsidiary, Dagang Sejahtera Sdn Bhd ("DSSB" or the "Purchaser"), entered into a conditional share sale agreement (the "Share Sale Agreement") with:

- (i) Dupont & Leosk Enterprises Sdn Bhd ("Dupont & Leosk" or the "Vendor") as beneficial owner of 25,000,000 ordinary shares of RM1.00 each in Ladang Permai Damai Sdn Bhd (formerly known as THP Gemas Sdn Bhd) ("Ladang Permai Damai") (the "Sale Shares") and
- (ii) Malaysia Nominees (Tempatan) Sdn Bhd as registered owner of the Sale Shares and nominee company of OCBC Bank (Malaysia) Berhad holding the Sale Shares as nominee and chargee for the benefit of OCBC Bank (Malaysia) Berhad,

to acquire the Sale Shares representing the Vendor's 100% equity interest in Ladang Permai Damai for a total cash consideration of RM215,588,160 (the "Acquisition").

35% of the issued share capital of DSSB is owned by Dagang Permai Sdn Bhd, a company which is wholly-owned by D.Y.M.M. Tuanku Syed Sirajuddin ibni Almarhum Tuanku Syed Putra Jamalullail, Raja Perlis ("DYMM Tuanku Raja Perlis").

The Acquisition is deemed a related party transaction by virtue of the Chairman and Non-Independent Non-Executive Director of F&NHB Y.A.M. Tengku Syed Badarudin Jamalullail, being the brother of DYMM Tuanku Raja Perlis and Y.A.M. Dato' Seri DiRaja Syed Razlan ibni Almarhum Tuanku Syed Putra Jamalullail, who is a director of DSSB.

The transactions contemplated under the Share Sale Agreement was completed on 11 October 2022. The Acquisition was financed via internal funds and bank borrowings (*Schedule G, Note 7*).

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

13. Significant events during the quarter (cont'd)

- (b) On 3 June 2022, F&NHB submitted a formal proposal to the Board of Cocoaland Holdings Berhad ("Cocoaland") in respect of the proposed acquisition of the entire equity interest in Cocoaland not already owned by F&NHB to be undertaken by Cocoaland by way of members' scheme of arrangement pursuant to Section 366 of the Companies Act, 2016 ("the Scheme") (the "Privatisation"), at a consideration of RM1.50 for each ordinary share in Cocoaland ("Cocoaland shares") not already owned by F&NHB ("the Scheme Shares").

The Privatisation was approved at a court convened general meeting of all shareholders of Cocoaland other than F&NHB (the "Scheme Shareholders") held on 18 August 2022.

The total consideration paid for the acquisition of the Scheme Shares which amounted to RM489,194,802, was satisfied in cash on 4 November 2022. The acquisition was financed via the Group's internal funds and bank borrowings (*Schedule G, Note 7*).

Pursuant to the Scheme, F&NHB nominated its wholly-owned subsidiary, Awana Citra Sdn Bhd to receive the transfer of 326,129,868 Cocoaland Shares held by the Scheme Shareholders.

All ordinary shares in Cocoaland was de-listed from the Main Market of Bursa Malaysia Securities Berhad on 25 November 2022.

14. Changes in the composition of the Group during the quarter

As disclosed in *Schedule F, Note 13*, the Group completed the acquisition of the entire equity interest in Ladang Permai Damai and Cocoaland during the quarter. Ladang Permai Damai and Cocoaland are included in Others and F&B Malaysia segment respectively.

(a) Acquisition of Ladang Permai Damai

On 11 October 2022, DSSB acquired the entire equity interest in Ladang Permai Damai for a total cash consideration of RM215,588,160. The business intention for DSSB in acquiring Ladang Permai Damai is for the F&NHB Group to embark on the upstream fresh milk business for downstream production and distribution of fresh milk. It is the intention that after completion of the acquisition, Ladang Permai Damai will lease the Permai Damai Estates to the F&NHB Group at a fair market rate to carry out operations of the integrated dairy farm and crop plantation. The Permai Damai Estates will enable the F&NHB Group to own a vertical integration business and operations based on locally grown crop for feed to F&NHB's dairy farm, which in turn will lower the value chain cost per litre. This will enable F&NHB to be less dependent on imported milk and promote local agricultural industry.

The acquisition of Ladang Permai Damai does not constitute an acquisition of business under MFRS 3 *Business Combinations* and does not give rise to a goodwill.

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

14. Changes in the composition of the Group during the quarter (cont'd)

(a) Acquisition of Ladang Permai Damai (cont'd)

The following summarised the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

RM'000	<u>31/12/2022</u>
Fair value of consideration transferred	
Cash and cash equivalents	<u>215,588</u>
Identifiable assets acquired and liabilities assumed	
Right-of-use assets	4,730
Trade and other receivables	42
Cash and cash equivalents	5
Current tax liability	<u>(759)</u>
Total identifiable net assets	<u>4,018</u>

Recognition of cost of an asset acquisition from acquisition of Ladang Permai Damai

RM'000	<u>31/12/2022</u>
Purchase consideration settled in cash and cash equivalents	215,588
F&NHB share of total identifiable net assets	<u>(2,612)</u>
Cost of asset acquisition to be allocated to identifiable assets	<u>212,976</u>
Allocated to:	
Right-of-use assets	<u>212,976</u>

Net cash outflow arising from acquisition of Ladang Permai Damai

RM'000	<u>31/12/2022</u>
Purchase consideration settled in cash and cash equivalents	215,588
Cash and cash equivalents acquired	<u>(5)</u>
	<u>215,583</u>

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

14. Changes in the composition of the Group during the quarter (cont'd)

(b) Acquisition of Cocoaland

On 4 November 2022, Awana Citra acquired the entire equity interest in Cocoaland not already owned by F&NHB, representing 72.38% of the issued share capital of Cocoaland for a total cash consideration of RM489,194,802. The principal activity of Cocoaland is investment holding. Through its subsidiaries, Cocoaland is involved in activities such as manufacturing and trading of processed and preserved foods and fruits. It is also involved in the wholesale and retail of processed and preserved foods as well as wholesale, import and export of gummies and other products. The acquisition is in line with F&NHB's ambition to be a stable and sustainable food and beverage leader in ASEAN, with halal packaged food as its fourth pillar of growth. The investment will add established Malaysian confectionery and snack brands to F&NHB's portfolio of renowned brands, and at the same time serves as a platform to build on and expand into other packaged food segments. F&NHB believes that the addition of Cocoaland into the F&NHB Group will also enhance the group's expansion in the overseas markets.

A goodwill amounting to RM401,346,516 was provisionally recognised pending the completion of the purchase price allocation. As allowed under MFRS 3 *Business Combinations*, the Group shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect the fair values of the identifiable assets acquired and liabilities assumed, within a period not exceeding one year from the acquisition date.

The following summarised the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities determined provisionally at the acquisition date:

RM'000	<u>31/12/2022</u>
Fair value of consideration transferred	
Cash and cash equivalents	<u>489,195</u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	81,533
Right-of-use assets	33,803
Investment properties	1,855
Inventories	42,265
Trade and other receivables	41,865
Current tax asset	315
Cash and cash equivalents	106,827
Trade and other payables	(26,640)
Current tax liability	(3,147)
Lease liabilities	(622)
Deferred taxation	(3,572)
Total identifiable net assets determined provisionally	<u>274,482</u>

The fair values of assets and liabilities was provisionally determined pending the purchase price allocation.

Net cash outflow arising from acquisition of Cocoaland

RM'000	<u>31/12/2022</u>
Purchase consideration settled in cash and cash equivalents	489,195
Cash and cash equivalents acquired	<u>(106,827)</u>
	<u>382,368</u>

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

14. Changes in the composition of the Group during the quarter (cont'd)

(b) Acquisition of Cocoaland (cont'd)

Goodwill

Goodwill was determined provisionally as a result of the acquisition as follows:

RM'000	<u>31/12/2022</u>
Total consideration transferred	489,195
Fair value of previously held equity interest in an associate	186,634
Fair value of identifiable net assets determined provisionally	<u>(274,482)</u>
Provisional goodwill	<u>401,347</u>

15. Contingent liabilities

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

16. Contingent assets

There were no contingent assets of a material nature since the last annual reporting date other than insurance claims in respect of the flood event disclosed in Q1, FY2022 quarterly announcement which would be recognised in due course when the claims for property damage and business interruption are finalised with the insurers.

17. 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>31/12/2022</u>	<u>30/09/2022</u>
Derivative financial assets	35	88
Derivative financial liabilities	<u>332</u>	<u>64</u>

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

The Group held investment properties amounting to RM49,418,000 (2022: RM47,569,000) carried at Level 3: significant unobservable inputs.

18. Capital commitments

Capital expenditure commitments

The outstanding capital commitments are as follows:

RM'000	<u>31/12/2022</u>	<u>30/09/2022</u>
<u>Property, plant and equipment</u>		
Contracted but not provided for	<u>67,011</u>	<u>83,468</u>

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

19. 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	
	31/12/2022	31/12/2021
<u>Fraser and Neave, Limited Group</u>		
Sales	71,647	74,297
Purchases	(44,723)	(39,099)
Royalties paid	(19,495)	(15,807)
Receipt of corporate service fees	874	1,071
<u>Thai Beverage Public Company Limited Group</u>		
Sales	2,123	1,592
Purchases	(869)	(1,221)
Marketing expenses	(6,584)	(2,473)
Purchase of property, plant and equipment	-	(2,179)
<u>Berli Jucker Public Company Limited Group</u>		
Sales	11,044	17,119
Purchases	(674)	(1,751)
<u>Fraser Property Limited Group</u>		
Rental expenses	(1,475)	(1,450)
<u>Other related parties of TCC Assets Limited Group</u>		
Purchases	(9,065)	(12,291)
<u>Compensation</u>		
Compensation of key management personnel of the Group	(6,074)	(4,149)
Directors' fees and remuneration	(311)	(331)

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

19. Related party disclosures (cont'd)

Related party balances

The related party balances are shown below:

RM'000	31/12/2022	30/09/2022
<u>Amount due from related parties</u>		
Fraser and Neave, Limited Group	64,481	63,479
Vacaron Company Sdn Bhd	38,305	38,305
Thai Beverage Public Company Limited Group	1,469	1,070
Berli Jucker Public Company Limited Group	10,268	7,734
Other related parties of TCC Assets Limited Group	28	18
<u>Amount due to related parties</u>		
Fraser and Neave, Limited Group	(40,915)	(39,664)
Frasers Property Limited Group	(510)	(579)
Thai Beverage Public Company Limited Group	(7,296)	(2,232)
Berli Jucker Public Company Limited Group	(581)	(770)
Other related parties of TCC Assets Limited Group	(3,390)	(2,799)

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

1. Operations review

Current quarter ended 31 December 2022 vs corresponding quarter ended 31 December 2021

RM'000	1 st quarter		% chg
	31/12/2022	31/12/2021	
Revenue	1,218,486	1,106,616	10.1%
Operating profit	224,856	107,201	109.8%
Adjusted operating profit *	130,651	132,328	-1.3%
Profit before tax	222,408	108,147	105.7%
Adjusted profit before tax *	128,203	133,274	-3.8%

* Adjustments for one-off non-operating items:

Flood related items:

Inventories written down	-	20,611
Impairment loss on plant and machinery	188	20,039
Gain on disposal of damaged stock-in-trade and machinery	(10)	-
Reversal of repair expenses of plant and machinery #	(127)	-
Interim insurance claim receivable in respect of inventories damaged due to flood	(5,000)	(18,002)
Other flood related items	-	881
	(4,949)	22,954
Remeasurement gain of the previously held equity interest in an associate ^	(89,256)	-
Restructuring costs	-	1,598
	<u>(94,205)</u>	<u>25,127</u>

^ Schedule G, Note 11

Reversal of overprovision of repair expenses incurred in previous quarter.

The Group recorded revenue of RM1,218.5 million (Q1 FY2022: RM1,106.6 million) for Q1 FY2023, representing 10.1% growth from the corresponding quarter last year. The growth was driven by beverage sales for the festive season, higher exports from F&B Malaysia, additional contribution from Cocoaland and partly offset by lower exports from F&B Thailand. (The acquisition of Cocoaland was completed on 4 November 2022 and is included in F&B Malaysia segment.)

Group operating profit for Q1 FY2023 doubled to RM224.9 million (Q1 FY2022: RM107.2 million) mainly due to RM89.3 million fair value gain recognised from remeasurement of previously held equity interest in Cocoaland and RM5.0 million insurance claim received for plant and equipment damaged during the flood in Shah Alam last year. Excluding one-off non-operating items, the adjusted Group operating profit marginally declined by 1.3% to RM130.7 million (Q1 FY2022: RM132.3 million) due to lower operating profit generated by F&B Thailand.

Excluding one-off non-operating items, the adjusted Group profit before tax declined by 3.8% to RM128.2 million (Q1 FY2022: RM133.3 million) due to higher interest costs from borrowings to fund the acquisition of Cocoaland and Ladang Permai Damai.

Group profit after tax grew by 112.9% to RM197.9 million (Q1 FY2022: RM92.9 million) due to higher non-taxable income (i.e. remeasurement gain of the previously held equity interest in an associate amounting to RM89.3 million).

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

1. Operations review (cont'd)

Current quarter ended 31 December 2022 vs corresponding quarter ended 31 December 2021 (cont'd)

• F&B Malaysia

RM'000	1 st quarter		% chg
	31/12/2022	31/12/2021	
Revenue	<u>713,264</u>	<u>575,585</u>	23.9%
Operating profit	70,444	22,633	211.2%
Adjustment for one-off non-operating items:			
Flood related items:			
Inventories written down	-	20,611	
Impairment loss on plant and machinery	188	20,039	
Gain on disposal of damaged stock-in-trade and machinery	(10)	-	
Reversal of repair expenses of plant and machinery	(127)	-	
Interim insurance claim receivable in respect of inventories damaged due to flood	(5,000)	(18,002)	
Other flood related items	-	874	
	(4,949)	23,522	
Restructuring costs	-	1,218	
	<u>(4,949)</u>	<u>24,740</u>	
Adjusted operating profit	<u>65,495</u>	<u>47,373</u>	38.3%

F&B Malaysia revenue for Q1 FY2023 increased by 23.9% to RM713.3 million (Q1 FY2022: RM575.6 million), driven by positive momentum of beverages sales and additional contribution from Cocoland. The recovery of festive activities, successful execution of festive campaigns and early sell-in for Chinese New Year, contributed to higher beverages revenue for the quarter.

Exports from Malaysia also grew, driven by double digit recovery in key markets although partly dampened by lower sales to Greater China due to Covid-19 pandemic lockdowns.

Excluding one-off non-operating items, F&B Malaysia adjusted operating profit improved by 38.3% to RM65.5 million (Q1 FY2022: RM47.4 million) on the back of higher volume, improved margins for both beverages and dairies, Cocoland contribution, and partly offset by higher input and packaging costs.

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

1. Operations review (cont'd)

Current quarter ended 31 December 2022 vs corresponding quarter ended 31 December 2021 (cont'd)

• F&B Thailand

	1 st quarter		<u>% chg</u>
	<u>31/12/2022</u>	<u>31/12/2021</u>	
Revenue (RM'000)	504,190	529,843	-4.8%
Revenue (THB'000)	4,002,342	4,232,064	-5.4%
Operating profit (RM'000)	67,887	80,395	-15.6%
Operating profit (THB'000)	538,896	642,144	-16.1%

F&B Thailand revenue for Q1 FY2023 declined by 4.8% (-5.4% in Thai Baht) to RM504.2 million (Q1 FY2022: RM529.8 million). Exports and sales to Indochina was dampened by cost-based price increases and high stocks in these markets. Domestic revenue remained at par, supported by higher prices that helped cushion the higher input and packaging costs.

Due to lower volume, F&B Thailand's operating profit decreased by 15.6% (-16.1% in Thai Baht) to RM67.9 million (Q1 FY2022: RM80.4 million).

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 2022 vs preceding 4th quarter ("Q4") ended 30 September 2022

RM'000	Individual quarter		% chg
	31/12/2022	30/09/2022	
Revenue	1,218,486	1,137,609	7.1%
Operating profit	224,856	119,449	88.2%
Adjusted operating profit *	130,651	117,945	10.8%
Profit before tax	222,408	119,508	86.1%
Adjusted profit before tax *	128,203	118,004	8.6%

* Adjustments for one-off non-operating items:

Flood related items:

Plant and machinery written off	-	235
Impairment loss/(Reversal of impairment loss) on plant and machinery #	188	(2,051)
Gain on disposal of damaged stock-in-trade and machinery	(10)	-
(Reversal of repair expenses)/Repair expenses for plant and machinery **	(127)	116
Interim insurance claim receivable in respect of inventories damaged due to flood	(5,000)	-
Other flood related items	-	196
	(4,949)	(1,504)
Remeasurement gain of the previously held equity interest in an associate ^	(89,256)	-
	<u>(94,205)</u>	<u>(1,504)</u>

Reversal of impairment loss as the plant and machinery can be repaired.

** Reversal of overprovision of repair expenses incurred in previous quarter.

^ Schedule G, Note 11

Group revenue for the quarter grew 7.1% to RM1,218.5 million (Q4 FY2022: RM1,137.6 million) compared to preceding Q4 FY2022, mainly contributed by higher festive sales and exports from F&B Malaysia and additional Cocoaland contribution.

Group profit before tax increased to RM222.4 million (Q4 FY2022: RM119.5 million) compared to preceding Q4 FY2022 mainly due to one-off non-operating items. Excluding one-off non-operating items, the adjusted Group profit before tax increased by 8.6% to RM128.2 million due to higher revenue.

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

3. Prospects

The outlook for the F&B industry for both Malaysia and Thailand for the next 12 months are expected to remain as challenging as FY2022, with persistent inflationary pressures and possibility of recession.

Despite these challenges, we are confident that the various measures and strategies we had implemented, as well as the completion of various capex projects and two strategic acquisitions, will place us in a stronger position operationally and financially and drive the next phase of growth.

We have commercialised our new RM20 million drinking water plant and warehouse in Kota Kinabalu in December 2022 and would be producing plant-based beverages from our new Wang Muang plant, Thailand later this year.

We are now focused on the integration of Cocoland and look forward to leveraging the strengths of both organisations to generate synergistic values for shareholders.

With the reopening of the borders, we expect that tourist arrivals to Malaysia and Thailand will increase in the second half of the financial year and provide stimulus to the economies of both countries. We are hopeful that Malaysian Ringgit and Thai Baht will continue to strengthen against the US Dollar which will provide some relief against costly inputs that have yet to return to pre-pandemic price levels.

This year marks our 140th Anniversary and to celebrate our history, we have planned activities throughout the year for both our organisation and our brands.

4. Profit forecast or profit guarantee

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

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

5. Tax expense

The details of the tax expense are as follows:

RM'000	1 st quarter	
	31/12/2022	31/12/2021
Current income tax	20,076	15,623
Deferred tax – origination and reversal of temporary differences	4,600	(506)
(Over)/Under provision of deferred tax in respect of previous years	(121)	84
	<u>24,555</u>	<u>15,201</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	
	31/12/2022	31/12/2021
Profit before tax	<u>222,408</u>	<u>108,147</u>
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	53,378	25,955
Effect of tax rates in foreign jurisdictions	(2,825)	(3,378)
Income not subject to tax	(27,098)	(6,262)
Non-deductible expenses	2,104	(1,001)
(Over)/Under provision of deferred tax in prior years	(121)	84
Foreign withholding tax	49	210
Others	(932)	(255)
Total income tax expense	<u>24,555</u>	<u>15,201</u>
Effective income tax rate	<u>11.0%</u>	<u>14.1%</u>

The lower effective income tax rate is mainly due to higher income not subject to tax arising from the recognition of remeasurement gain of the previously held equity interest in an associate amounting to RM89.3 million.

6. Status of corporate proposals

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

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

7. Loans and borrowings

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

RM'000	Currency	31/12/2022	30/09/2022
<u>Non-current (unsecured)</u>			
Islamic Medium Term Notes	RM	610,000	110,000
Term loan	RM	99,000	100,000
		<u>709,000</u>	<u>210,000</u>
<u>Current (unsecured)</u>			
Term loan	RM	1,000	-
Term loans	THB	-	36,833
		<u>1,000</u>	<u>36,833</u>
		<u>710,000</u>	<u>246,833</u>

Islamic Commercial Papers ("ICP") and Islamic Medium Term Notes ("IMTN") programmes of RM3,000,000,000

A subsidiary of the Company, F&N Capital Sdn Bhd ("the Issuer"), had established an Islamic Commercial Papers ("ICP") Programme ("ICP Programme") and an Islamic Medium Term Notes ("IMTN") Programme ("IMTN Programme") both based on the Shariah principle of Murabahah (via a Tawarruq arrangement) with a combined limit of up to RM3,000,000,000 in nominal value and guaranteed by the Company. The ICP Programme has a tenure of seven years from the first issue date whilst the tenure of the IMTN Programme is perpetual.

The proceeds from the ICP Programme and the IMTN Programme shall be advanced to companies within the F&NHB Group for Shariah-compliant general corporate purposes of the Group and the refinancing of any existing borrowings/financings/corporate bonds/Sukuk issues and/or future Sukuk issues/Shariah-compliant financings of the Group. The utilisation of proceeds of these programmes shall at all times be for Shariah-compliant purposes.

To activate the Programmes, the Issuer had on 30 August 2021 issued the first tranche of IMTN amounting to RM1,000,000 with a tenure of one year from the issued date and a profit rate of 2.45% per annum. This IMTN was fully repaid during the previous financial year.

On 3 August 2022, the Issuer had issued the second tranche of IMTN amounting to RM110,000,000 with a tenure of three years from the issued date and a profit rate of 4.01% per annum. The proceeds from this IMTN are used to partially finance the acquisition of the entire equity interest in Ladang Permai Damai Sdn Bhd (*Schedule F, Note 13(a)*).

On 5 October 2022, the Issuer had issued the third and fourth tranche of IMTN of RM250,000,000 each with a tenure of three and five years from the issued date and profit rates of 4.21% and 4.68% per annum, respectively. The proceeds from issuance of the IMTNs are used to partially finance the acquisition of remaining Cocoland Shares held by the Scheme Shareholders (*Schedule F, Note 13(b)*) and for working capital purposes.

As at 31 December 2022, the outstanding IMTN amounted to RM610,000,000 (2022: RM110,000,000).

As at 31 December 2022, the unutilised ICP Programme and IMTN Programme available for use amounted to RM2,390,000,000 (2022: RM2,890,000,000).

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

7. Loans and borrowings (cont'd)

Term loans of THB950,000,000

On 24 June 2022, a subsidiary of the Company, F&N Dairies (Thailand) Limited was granted term loans amounting to THB950,000,000 in total with tenures of three months and six months from the issued date. The interest rates of the term loans ranged from 1.25% to 1.50% per annum. The term loans were repaid during the quarter.

Term loan of RM100,000,000

On 25 July 2022, a subsidiary of the Company, DSSB was granted a term loan of RM100,000,000 with a tenure of up to seven years from the date of the first drawdown of the facility. DSSB had made full drawdown of the term loan on 22 August 2022 at floating interest rate of 3.95% per annum. The proceeds from this term loan are used to partially finance the acquisition of Ladang Permai Damai Sdn Bhd (*Schedule F, Note 13 (a)*). As at 31 December 2022, the outstanding term loan amounted to RM100,000,000 (2022: RM100,000,000).

8. Material litigation

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

9. Proposed dividend

A final single tier dividend of 33.0 sen per share (2021: 33.0 sen per share) for financial year ended 30 September 2022 was approved by shareholders at the Annual General Meeting of the Company on 17 January 2023. This dividend amounting to approximately RM121.0 million is payable on 10 February 2023 (entitlement date for the dividend is 20 January 2023).

10. Earnings per ordinary share (EPS)

(a) The calculation of basic earnings per ordinary share at 31 December 2022 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1 st quarter	
	31/12/2022	31/12/2021
Profit for the period attributed to owners of the Company (RM'000)	<u>198,798</u>	<u>92,953</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>360,280</u>	<u>366,594</u>
Basic earnings per ordinary share (sen)	<u>55.2</u>	<u>25.4</u>

(b) The calculation of diluted earnings per ordinary share at 31 December 2022 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	1 st quarter	
	31/12/2022	31/12/2021
Profit for the period attributed to owners of the Company (RM'000)	<u>198,798</u>	<u>92,953</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	360,280	366,594
Adjustments pursuant to the SGP ('000)	<u>441</u>	<u>564</u>
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>360,721</u>	<u>367,158</u>
Diluted earnings per ordinary share (sen)	<u>55.1</u>	<u>25.3</u>

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

11. Notes to the Condensed Consolidated Income Statement

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

RM'000	1 st quarter	
	31/12/2022	31/12/2021
(a) Bad debts recovered	(46)	(10)
(b) Depreciation of property, plant and equipment and amortisation of intangible assets	26,119	26,343
(c) Depreciation of right-of-use assets	5,552	5,109
(d) Remeasurement gain of the previously held equity interest in an associate	(89,256)	-
(e) Impairment loss on intangible assets	-	-
(f) Insurance claim received/receivable	(5,000)	(18,002)
(g) Inventories written off	797	576
(h) Net fair value loss/(gain) on derivatives	321	(352)
(i) Net impairment loss/(reversal of impairment loss) on property, plant and equipment		
- due to flood	188	20,039
- others	(6)	(3)
(j) Net reversal of impairment loss on receivables	(131)	(151)
(k) Net inventories written down		
- due to slow moving inventories	3,381	617
- due to flood	-	20,611
(l) Net (gain)/loss on disposal/write-offs of property, plant and equipment	(105)	208
(m) Net loss on foreign exchange	4,677	101

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:

	31/12/2022		30/09/2022	
	Notional value	Fair value RM'000	Notional value	Fair value RM'000
Forward foreign exchange contracts (less than 1 year)				
USD ('000)	382	(302)	246	61
AUD ('000)	1,178	5	928	(37)
		<u>(297)</u>		<u>24</u>

There is no significant change for the financial derivatives in respect of the following since the financial year ended 30 September 2022:

- (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 period, the Group recognised a total net loss of RM321,000 (2022: net gain of RM352,000) 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 2022.