



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

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For immediate release

QUARTERLY FINANCIAL REPORT
Second Quarter Ended 31st March 2015

The Directors are pleased to release the unaudited quarterly financial report for the quarter and six months ended 31st March 2015.

The contents of the financial report comprise the following attached unaudited condensed consolidated financial statements, explanatory notes and additional disclosures and these must be read in conjunction with the Group's audited financial statements for the year ended 30 September 2014:

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

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

By Order of the Board

Soon Wing Chong
Wong May Fun
Joint Secretaries

Kuala Lumpur
5 May 2015

Schedule A : Unaudited Condensed Consolidated Income Statement

For the quarter and six months ended 31 March 2015

RM'000	Individual 2 nd quarter		% chg	Cumulative 2 nd quarter		% chg
	31/03/2015	31/03/2014 (Restated)		31/03/2015	31/03/2014 (Restated)	
Revenue	939,885	935,395	0.5%	1,976,210	1,883,156	4.9%
Cost of sales	(649,573)	(647,907)		(1,383,294)	(1,314,286)	
Gross profit	290,312	287,488	1.0%	592,916	568,870	4.2%
Other income	441	3,317		2,373	4,882	
Operating expenses	(205,868)	(209,040)		(429,568)	(406,112)	
Operating profit	84,885	81,765	3.8%	165,721	167,640	-1.1%
Interest expense	(4,014)	*(3,692)		(7,884)	*(7,455)	
Interest income	3,330	*2,721		6,676	*5,386	
Share of results of a joint venture #	(324)	(193)		(539)	(414)	
Share of results of an associate ^	2,677	2,165		3,824	3,739	
Profit before tax (PBT)	86,554	82,766	4.6%	167,798	168,896	-0.7%
Taxation (Schedule G, Note 5)	(16,065)	(14,675)		(27,374)	(32,048)	
Profit after tax (PAT)	70,489	68,091	3.5%	140,424	136,848	2.6%
Attributable to:						
Equity holders of the Company	70,490	68,091	3.5%	140,425	136,857	2.6%
Non-controlling interests	(1)	-		(1)	(9)	
Profit after tax	70,489	68,091		140,424	136,848	
Basic earnings per share (sen) attributable to equity holders of the Company	19.3	18.6	3.8%	38.4	37.5	2.4%
Diluted earnings per share (sen) attributable to equity holders of the Company	19.2	18.6	3.2%	38.4	37.4	2.7%

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 and six months ended 31 March 2015.

^ The share of results of an associate for the quarter refers to Cocoland Holdings Berhad and is derived from its unaudited quarterly announcement for the year ended 31 December 2014 dated 26 February 2015.

* The comparatives for the quarter and six months ended 31 March 2015 have been restated as disclosed in Schedule F, Note 21.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income
 For the quarter and six months ended 31 March 2015

RM'000	Individual 2 nd quarter			Cumulative 2 nd quarter		
	31/03/2015	31/03/2014	% chg	31/03/2015	31/03/2014	% chg
Profit after tax	70,489	68,091	3.5%	140,424	136,848	2.6%
Other comprehensive income, net of tax:						
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>						
Exchange differences on translation of foreign operations	27,326	2,072		49,728	(16,214)	
Total comprehensive income	97,815	70,163	39.4%	190,152	120,634	57.6%
Total comprehensive income attributable to:						
Equity holders of the Company	97,816	70,163		190,153	120,643	
Non-controlling interests	(1)	-		(1)	(9)	
	97,815	70,163	39.4%	190,152	120,634	57.6%

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 year ended 30 September 2014.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2015

RM'000	31/03/2015	30/09/2014 (Audited)
Non-current assets		
Property, plant and equipment	1,057,851	1,028,919
Investment properties	57,084	57,084
Properties held for development	55,254	54,654
Investment in a joint venture <i>(Schedule F, Note 8)</i>	73,469	71,496
Investment in an associate <i>(Schedule F, Note 9)</i>	79,844	78,353
Intangible assets	132,621	135,437
Deferred tax assets	52,509	58,693
	1,508,632	1,484,636
Current assets		
Inventories	520,058	390,713
Receivables	500,729	492,592
Tax recoverable	37	670
Cash and cash equivalents	362,504	365,387
	1,383,328	1,249,362
Total assets	2,891,960	2,733,998
Equity		
Share capital and reserves	1,766,924	1,688,613
Non-controlling interests	205	206
Total equity	1,767,129	1,688,819
Non-current liabilities		
Borrowings	300,000	300,000
Provision for retirement benefits	37,755	36,353
Deferred tax liabilities	28,442	30,971
	366,197	367,324
Current liabilities		
Payables	639,285	609,645
Provisions	5,749	5,749
Borrowings	100,000	50,000
Provision for taxation	13,600	12,461
	758,634	677,855
Total liabilities	1,124,831	1,045,179
Total equity and liabilities	2,891,960	2,733,998
Net assets per share (RM) attributable to equity holders of the Company	4.83	4.62

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 2014.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 31 March 2015

RM'000	Cumulative 2 nd quarter 31/03/2015	31/03/2014 (Restated)
Operating activities		
Profit before tax	167,798	168,896
Add non-cash items:		
- Depreciation and amortisation	45,229	43,469
- Impairment of property, plant and equipment	539	-
- Impairment loss on receivables	904	* 5,132
- Inventories written down	3,454	* 385
- Inventories written off	5,440	* 4,690
- Bad debts recovered	(85)	* (4,761)
- Interest expense	7,884	* 7,455
- Interest income	(6,676)	* (5,386)
- Share of results of a joint venture	539	414
- Share of results of an associate	(3,824)	(3,739)
- Others	6,657	* 3,797
Changes in working capital #	(118,169)	* (41,355)
Tax paid	(21,753)	(16,477)
Net cash flows generated from operating activities	87,937	162,520
Investing activities		
Interest received	3,768	* 2,966
Dividend income	2,333	2,333
Loan to a joint venture	-	* (3,135)
Proceeds from disposal of property, plant and equipment	490	419
Purchase of property, plant and equipment	(43,983)	(26,324)
Purchase of intangible assets	(218)	(223)
Net cash flows used in investing activities	(37,610)	(23,964)
Financing activities		
Interest paid	(7,995)	* (4,488)
Dividends paid	(120,801)	(146,199)
Net movement in borrowings	50,000	(15,000)
Proceeds from the exercise of the Executives' Share Options Scheme ("ESOS")	5,498	15,005
Net cash flows used in financing activities	(73,298)	(150,682)
Net change in cash and cash equivalents	(22,971)	(12,126)
Effects of foreign exchange rate changes	20,088	* (6,441)
Cash and cash equivalents at beginning of year	365,387	360,711
Cash and cash equivalents at end of quarter	362,504	342,144
Cash and cash equivalents comprise:		
Cash and bank balances	174,887	185,789
Short term deposits with licensed banks	187,617	156,355
	362,504	342,144

Included the interest amounting to RM2,512,000 accrued on loan to a joint venture.

* The comparatives for the six months ended 31 March 2015 have been restated as disclosed in Schedule F, Note 21.

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 2014.

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

For the six months ended 31 March 2015

RM'000	<----- Attributable to equity holders of the Company ----->							Total	Non-controlling interests	Total equity
	<----- Non-distributable ----->				Distributable					
	Share capital	Share premium	Treasury shares	Foreign exchange reserve	Share-based payment reserve	Legal reserve	Retained earnings (Restated)			
At 1 October 2014	366,028	438,206	(1,716)	(3,687)	8,382	9,934	871,466	1,688,613	206	1,688,819
Total comprehensive income	-	-	-	49,728	-	-	140,425	190,153	(1)	190,152
Transactions with owners:										
Issuance of shares upon exercise of ESOS	386	5,112	-	-	-	-	-	5,498	-	5,498
Employee share-based payment expense	-	-	-	-	3,461	-	-	3,461	-	3,461
Dividends paid	-	-	-	-	-	-	(120,801)	(120,801)	-	(120,801)
Total transactions with owners	386	5,112	-	-	3,461	-	(120,801)	(111,842)	-	(111,842)
At 31 March 2015	366,414	443,318	(1,716)	46,041	11,843	9,934	891,090	1,766,924	205	1,767,129
At 1 October 2013	364,658	417,309	(1,716)	10,083	12,165	9,934	* 836,007	1,648,440	227	1,648,667
Total comprehensive income	-	-	-	(16,214)	-	-	136,857	120,643	(9)	120,634
Transactions with owners:										
Issuance of shares upon exercise of ESOS and Share Grant Plan ("SGP")	1,148	15,258	-	-	(1,401)	-	-	15,005	-	15,005
Employee share-based payment expense	-	-	-	-	2,266	-	-	2,266	-	2,266
Dividends paid	-	-	-	-	-	-	(146,199)	(146,199)	-	(146,199)
Total transactions with owners	1,148	15,258	-	-	865	-	(146,199)	(128,928)	-	(128,928)
At 31 March 2014	365,806	432,567	(1,716)	(6,131)	13,030	9,934	826,665	1,640,155	218	1,640,373

* The comparatives for the six months ended 31 March 2015 have been restated as disclosed in Schedule F, Note 21.

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 2014.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134

1. Corporate information

Fraser & Neave Holdings Bhd (“FNHB” or “the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements (“interim financial statements”) were approved by the Board of Directors on 5 May 2015.

2. Basis of preparation

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

The audited consolidated financial statements of the Group for the year ended 30 September 2014 are available upon request from the Company’s registered office at Level 8, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur, Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 September 2014. 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 2014.

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2014, except for the adoption of the following new and amended MFRS, and Issues Committee (IC) Interpretations mandatory for annual financial periods beginning on or after 1 October 2014.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 *Investment Entities*
- Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*
- Annual Improvements to MFRSs 2010–2012 Cycle
- Annual Improvements to MFRSs 2011–2013 Cycle
- IC Interpretation 21 *Levies*

The adoption of the above standards and interpretations did not have any significant effect on the financial performance, position or presentation of financials of the Group.

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

3. Standards issued but not yet effective

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

Effective for annual periods beginning on or after 1 January 2016

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

Effective for annual periods beginning on or after 1 January 2017

- MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*

* not applicable

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

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

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

4. Auditors' report
 The auditors' report of the preceding annual financial statements of the Company and of the Group was not subject to any qualification.
5. Comment on seasonality or cyclicity of operation
 The Group's performance is normally not affected by seasonal or cyclical events on a year to year basis. However, on a quarter to quarter basis, the demand for certain group 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 2015.
7. Significant estimates and changes in estimates
 There were no significant estimates or changes in estimates that have had any material effect on the results of the current quarter.
8. Investment in a joint venture

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	<u>(2,321)</u>	<u>(1,782)</u>
	(1,821)	(1,282)
Shareholder's loan	<u>130,582</u>	<u>128,070</u>
	128,761	126,788
Less: Unrealised profit	<u>(55,292)</u>	<u>(55,292)</u>
	<u>73,469</u>	<u>71,496</u>

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

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
Total assets	259,664	253,588
Total liabilities	<u>(263,324)</u>	<u>(256,171)</u>

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2015</u>	<u>31/03/2014</u>	<u>31/03/2015</u>	<u>31/03/2014</u>
Revenue	-	-	-	-
Loss	<u>(646)</u>	<u>(385)</u>	<u>(1,077)</u>	<u>(827)</u>

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

9. Investment in an associate

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	22,353	18,529
Dividend received	<u>(11,236)</u>	<u>(8,903)</u>
	<u>79,844</u>	<u>78,353</u>
Fair value of investment in an associate for which there is published price quotation	<u>89,118</u>	<u>78,386</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
Total assets	261,634	257,416
Total liabilities	<u>(43,302)</u>	<u>(44,573)</u>

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2015</u>	<u>31/03/2014</u>	<u>31/03/2015</u>	<u>31/03/2014</u>
Revenue	72,650	66,949	136,432	126,890
Profit	<u>9,846</u>	<u>7,963</u>	<u>14,066</u>	<u>13,750</u>

10. Issuance or repayments of debt/equity securities

There have been no issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the cumulative 2nd quarter except for the issuance of 25,300 and 360,400 ordinary shares pursuant to the ESOS Scheme at the exercise price of RM10.47 and RM14.52 each respectively.

11. Dividends

A final single tier dividend of 33 sen per share amounting to RM120.8 million (2013: final single tier dividend of 30 sen per share amounting to RM109.6 million together with a special single tier dividend of 10 sen per share amounting to RM36.6 million) in respect of the financial year ended 30 September 2014 was paid on 26 February 2015.

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 Soft Drinks, Dairies Malaysia, Dairies Thailand, Property and Others segments. Segment performance is evaluated based on operating profit. Inter-segment transactions and pricing arrangements, where applicable, are determined on a commercial basis. The results by segments for the quarter, preceding quarter and cumulative 2nd quarter are as follows:

RM'000	Revenue					Total
	Soft Drinks	Dairies Malaysia	Dairies Thailand	Property	Others	
<u>2nd quarter - 31/03/2015</u>						
Total revenue	322,298	260,477	364,525	1,110	17,553	965,963
Inter-segment	(36)	-	(8,293)	(487)	(17,262)	(26,078)
External	<u>322,262</u>	<u>260,477</u>	<u>356,232</u>	<u>623</u>	<u>291</u>	<u>939,885</u>
<u>2nd quarter - 31/03/2014</u>						
Total revenue	365,590	261,514	313,195	1,013	17,050	958,362
Inter-segment	(32)	-	(5,091)	(844)	(17,000)	(22,967)
External	<u>365,558</u>	<u>261,514</u>	<u>308,104</u>	<u>169</u>	<u>50</u>	<u>935,395</u>
<u>1st quarter - 31/12/2014</u>						
Total revenue	379,384	298,295	364,387	1,135	18,311	1,061,512
Inter-segment	(27)	(2)	(5,908)	(972)	(18,278)	(25,187)
External	<u>379,357</u>	<u>298,293</u>	<u>358,479</u>	<u>163</u>	<u>33</u>	<u>1,036,325</u>
<u>Cumulative 2nd quarter - 31/03/2015</u>						
Total revenue	701,682	558,772	728,912	2,245	35,864	2,027,475
Inter-segment	(63)	(2)	(14,201)	(1,459)	(35,540)	(51,265)
External	<u>701,619</u>	<u>558,770</u>	<u>714,711</u>	<u>786</u>	<u>324</u>	<u>1,976,210</u>
<u>Cumulative 2nd quarter - 31/03/2014</u>						
Total revenue	743,217	534,272	615,865	2,013	34,376	1,929,743
Inter-segment	(35)	-	(10,528)	(1,748)	(34,276)	(46,587)
External	<u>743,182</u>	<u>534,272</u>	<u>605,337</u>	<u>265</u>	<u>100</u>	<u>1,883,156</u>

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

12. Segmental information (cont'd)

Segment assets

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

RM'000	31/03/2015	30/09/2014
Soft Drinks	715,731	747,985
Dairies Malaysia	762,575	718,608
Dairies Thailand	654,712	506,833
Property	126,789	125,651
Others	63,827	60,992
	<u>2,323,634</u>	<u>2,160,069</u>

Segment liabilities

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

RM'000	31/03/2015	30/09/2014
Soft Drinks	223,016	270,771
Dairies Malaysia	200,058	188,241
Dairies Thailand	240,329	169,706
Property	2,708	3,209
Others	16,678	19,820
	<u>682,789</u>	<u>651,747</u>

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
Acquisitions (cost)	29,499	13,986	44,201	26,547
Disposals/write-offs (net carrying amount)	1,428	388	2,141	1,395
Net loss on disposals/write-offs	<u>1,157</u>	<u>147</u>	<u>1,651</u>	<u>976</u>

14. Significant events

Significant events during the quarter were as follows:

(a) Licensing and Distribution Arrangements with Société des Produits Nestlé S.A., and Nestec S.A.

FNHB and its dairy subsidiaries have on 23 January 2015 entered into several agreements (the "Agreements") with Société des Produits Nestlé S.A. ("Nestle") and Nestec S.A ("Nestec") to manufacture and distribute *Carnation*, *Bear Brand*, *Bear Brand Gold*, *Ideal Milk* and *Milkmaid* products in Thailand, Laos PDR, Cambodia, Singapore, Malaysia and Brunei subject to a royalty payment based on a percentage of net proceeds of sale.

Pursuant to the Agreements, the term of the initial licences granted on 1 February 2007 to the FNHB Group by Nestle and Nestec to manufacture and distribute the Nestle brand products have been extended for an initial period of 11 years 7 months from 1 July 2015 with a right to further extend for a term of 10 years until 31 January 2037. Thereafter, the licences may be renewed for further five-year terms if all parties agree in writing.

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

14. Significant events (cont'd)

(a) Licensing and Distribution Arrangements with Société des Produits Nestlé S.A., and Nestec S.A. (cont'd)

Under these new arrangements, Milo UHT and Bear Brand UHT for Thailand and the Indochina market will be returned to Nestle with effect from 1 July 2015 in a strategic realignment that will enable Nestle to strengthen their regional strategy in this category.

The long term arrangements as a result of entering into the Agreements will enable the FNHB Group to strengthen its focus on core categories whilst maintaining the broadest portfolio of canned milk brands in the region.

The new arrangements will have no significant impact on FNHB's overall performance for the financial year ending 20 September 2015.

(b) Non-renewal of agreement for exclusive marketing, distribution and sale of Red Bull energy drinks in Malaysia

FNHB's wholly owned subsidiary, F&N Beverages Marketing Sdn Bhd ("F&N Beverages") had entered into an agreement ("Principal Agreement") with Allexcel Trading Sdn Bhd ("Allexcel") for the exclusive marketing, distribution and sale of Red Bull energy drinks in Malaysia for an initial period of five years commencing 1 April 2010 and expiring on 31 March 2015.

Pursuant to the above, F&N Beverages has on 27 March 2015 entered into a Transition Agreement with Allexcel. Under the Transition Agreement, F&N Beverages and Allexcel agreed not to renew the term of the Principal Agreement as both parties are unable to reach an agreement on the changes in commercial terms.

Further, the parties agreed to a transition period which commenced from 1 April 2015 to 30 September 2015, during which F&N Beverages will hand over to Allexcel the exclusive marketing, distribution and sale of Red Bull energy drinks in Malaysia in phases.

The non-renewal of the Principal Agreement is not expected to have a material negative impact on the operating or financial performance of the FNHB Group for the financial year ending 30 September 2015.

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

As at 31 March 2015, the Group held foreign currency forward contracts carried at fair value of approximately RM216,000 (30 September 2014: RM1,305,000) based on Level 2: significant observable inputs for identical assets or liabilities. There was no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial asset that subsequently resulted in a different classification of that asset during the quarter.

The Group held investment properties amounting to RM57,084,000 (30 September 2014: RM57,084,000) carried at Level 3: significant unobservable inputs.

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

19. Capital and lease commitments

Capital commitments

The outstanding capital commitments are as follows:

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
<u>Property, plant and equipment</u>		
Approved and contracted for:		
- Building	408	-
- Machinery and equipment	19,087	19,536
- Others	644	4,043
	<u>20,139</u>	<u>23,579</u>
Approved and not contracted for:		
- Building	3,965	3,950
- Machinery and equipment	71,680	43,910
- Others	1,639	4,697
	<u>77,284</u>	<u>52,557</u>
	<u>97,423</u>	<u>76,136</u>

Lease commitments

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

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
<u>Non-cancellable operating lease commitments - Group as lessee</u>		
Future minimum rentals payable:		
- Not later than 1 year	5,826	11,224
- Later than 1 year and not later than 5 years	1,681	1,310
- Later than 5 years	1,101	1,017
	<u>8,608</u>	<u>13,551</u>

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

20. Related party disclosure

Significant related party transactions

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>				
Sales	38,826	32,503	90,340	73,914
Rental income	92	76	184	151
Purchases	43,340	43,860	104,001	101,150
Royalties paid	11,634	12,488	25,914	25,983
Corporate charges paid	505	190	837	937
Other expenses	57	65	57	65
<u>Vacaron Company Sdn Bhd</u>				
Sales	4	-	4	-
Receipt of corporate service fees	222	233	624	598
Rental income	27	27	54	54
Interest income	1,359	874	2,743	1,709
Shareholder's loan granted	-	2,335	-	3,135
<u>Cocoaland Holdings Berhad Group</u>				
Purchases	1,100	745	2,228	1,431
<u>Thai Beverage Public Company Limited Group</u>				
Sales	96	130	194	295
Purchases	(309)	548	1,547	742
<u>Berli Jucker Public Company Limited Group</u>				
Sales	112	397	208	1,450
Purchases	12,516	11,757	29,148	23,254
Logistic cost	1	3	3	6
<u>Other related parties of TCC Group</u>				
Sales	179	-	455	-
Purchases	44	-	44	-
Management fees	684	355	975	617
Insurance premium paid	1,689	2,445	2,891	2,445
Other expenses	74	-	142	-
<u>Permodalan Nasional Berhad ("PNB") Group *</u>				
Sales	18,032	17,933	38,764	33,904
Purchases	12,226	13,525	25,317	24,808
Purchase of office equipment	-	391	-	974
Repair and maintenance of motor vehicle	-	15	-	26
Rental of equipment paid	503	357	936	859
Other expenses	25	20	58	50
<u>Compensation</u>				
Compensation of key management personnel of the Group	1,244	1,102	3,848	3,162
Directors' fees	594	472	610	497

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

20. Related party disclosure (cont'd)

Related party balances

The related party balances are shown below:

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
<u>Amount due from related parties</u>		
F&N Limited Group	29,513	31,367
Vacaron Company Sdn Bhd	131,364	128,070
Cocoaland Holdings Berhad Group	-	7
Thai Beverage Public Company Limited Group	1,475	143
Berli Jucker Public Company Limited Group	-	1,092
Other related parties of TCC Group	32	-
PNB Group	9,497	10,536
<u>Amount due to related parties</u>		
F&N Limited Group	12,503	30,133
Cocoaland Holdings Berhad Group	681	925
Thai Beverage Public Company Limited Group	-	581
Berli Jucker Public Company Limited Group	4,592	3,643
Other related parties of TCC Group	2,263	141
PNB Group	6,989	5,103

* Permodalan Nasional Berhad ("PNB") is deemed a related party to FNHB by virtue of PNB holding 68,962,000 shares as of 31 March 2015 through Amanahraya Trustees Berhad, representing 18.83% equity interest in FNHB and having two nominee directors on the Board of FNHB.

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

21. Change in comparatives

The comparatives for the quarter and six months ended 31 March 2015 have been restated as follows:

RM'000	As previously stated	Adjustments			As restated
		(a)	(b)	(c)	
<u>Income statement:</u>					
<u>For the quarter ended</u>					
<u>31 March 2014</u>					
Interest expense	(2,818)	(874)	-	-	(3,692)
Interest income	1,847	874	-	-	2,721
<u>For the six months ended</u>					
<u>31 March 2014</u>					
Interest expense	(5,746)	(1,709)	-	-	(7,455)
Interest income	3,677	1,709	-	-	5,386
<u>Statement of cash flows:</u>					
<u>For the six months ended</u>					
<u>31 March 2014</u>					
Impairment loss on receivables	-	-	-	5,132	5,132
Inventories written down	-	-	-	385	385
Inventories written off	-	-	-	4,690	4,690
Bad debts recovered	-	-	-	(4,761)	(4,761)
Interest expense	5,746	1,709	-	-	7,455
Interest income	(3,677)	(1,709)	-	-	(5,386)
Others	(2,644)	-	-	6,441	3,797
Changes in working capital	(38,497)	1,709	-	(4,567)	(41,355)
Interest received	3,677	-	-	(711)	2,966
Loan to a joint venture	-	-	-	(3,135)	(3,135)
Interest paid	(5,746)	(1,709)	-	2,967	(4,488)
Effects of foreign exchange rate changes	-	-	-	(6,441)	(6,441)
<u>Statement of changes in equity:</u>					
<u>As at 1 October 2013</u>					
Share capital and reserves	1,650,173	9	(1,742)	-	1,648,440
Retained earnings	837,740	9	(1,742)	-	836,007

- (a) Adjustments pursuant to the adoption of MFRS 11 Joint Arrangements.
 (b) Adjustments pursuant to the adoption of MFRS 119 Employee Benefits.
 (c) Being reclassification to conform with current year's presentation.

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

1. Operations review

Current quarter vs corresponding quarter

During the current quarter, the Group's turnover remained relatively unchanged at RM939.9 million as compared to corresponding quarter's revenue of RM935.4 million. Profit before tax rose by 4.6% from RM82.8 million to RM86.6 million.

Soft Drinks's revenue was lower by 11.8% compared with the corresponding quarter despite effective Chinese New Year trade and promotion activation. The lower sales revenue and volume for all products was predominantly due to the heavy pre-Goods and Service Tax ("GST") destocking (i.e. minimisation of inventory on-hand) by both its distributors and retailers and is expected to recover in April and May. There were also spill-over effects from the flood in the East Coast States of Peninsular Malaysia with the prolonged delay in commencement of businesses post-flood. The lower sales volume and unfavourable product mix impacted margins and led to a corresponding 22.4% lower operating profit.

Dairies Malaysia's revenue was flat during the quarter. This was due to customers cautious spending and traders trading down post Chinese New Year festive season and in anticipation of the GST implementation on 1 April 2015. Operating profit improved by 8.6% due to lower cost of materials from reduction in milk-based commodity cost and continuous realised production cost savings.

Dairies Thailand's sales expanded significantly by RM48.1 million or 15.6% on the back of increased outlets penetration, higher trade and consumer off-take, higher level of promotional and trade management activities. Additionally, improved raw material supply has enabled higher sales fulfilment. With the improved gross margin stemming from a favourable sales mix, higher factory utilisation and manufacturing efficiencies, operating profit margins has improved significantly from 6.9% to 9.6%.

The Others segment recorded higher operating losses this quarter due to forex loss.

Half year vs corresponding period last year

Group's turnover increased by RM93.1 million (4.9%) from RM1,883.1 million to RM1,976.2 million supported mainly by Dairies Thailand's 18.1% and Dairies Malaysia's 4.6% revenue growth. Profit before tax for the Group decreased by 0.7% from RM168.9 million to RM167.8 million.

The lower Soft Drinks's revenue (decreased by 5.6%) was mainly attributed to the high pre-GST trade destocking and the effect of the flood in the East Coast of Malaysia. Operating profit was correspondingly lower by 30.0% due to lower volumes and unfavourable product mix.

Dairies Malaysia's revenue rose by 4.6% in the first half of the year due to stronger first quarter performance in both domestic and export markets for sweetened condensed milk and evaporated milk, supported by increased market presence and penetration, particularly in the on-premise and take-home segment and effective consumer programs. Operating profit improved by 19.4% due to lower cost of materials from reduction in milk-based commodity cost and continuous realised production cost savings.

Dairies Thailand's revenue was very strong in the first half with double digit growth of 18.1% on the back of higher trade and consumer off-take, higher level of promotional and trade management activities. Operating profit rose by 38.1% due to significant cost savings from lower milk-based commodity cost and continuous realised production cost savings.

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

2. Comment on material change in Group profit before tax vs preceding 1st quarter
 Revenue was lower by 9.3% compared to the preceding quarter due to the pre-GST destocking by its distributors and retailers, which impacted both Soft Drinks and Dairies Malaysia. Group's profit before tax however, increased by 6.5% or RM5.4 million from RM81.2 million to RM86.6 million, with Dairies Thailand recording a significant improvement in operating profit mainly due to lower trade discounting and improved milk-based commodity cost. Soft Drinks's operating margin improved by 2.0% mainly due to the reversal of provision of impairment of property, plant and equipment associated with the floods in the East Coast States on near finalisation of repairs of affected assets and the absence of impairment of receivables. Excluding the effects of certain one-off income in the current quarter, Dairies Malaysia's operating profit was in line with the lower revenue.
3. Prospects
 As in previous fiscal years, for fiscal year 2015, a key driver of growth in Malaysia is domestic demand. However compared with the previous year, private consumption is expected to moderate as the positive effects of lower oil prices are counter balanced by price adjustments arising from the implementation of the Goods and Services Tax in April 2015. The rate of economic recovery in Thailand remains a concern as the Thai economy though resilient is highly dependent on domestic consumption. Accordingly, the Board and management will monitor proactively the changing economic dynamics and take appropriate actions to meet these challenges.
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 2015	Individual 2 nd quarter 2014	Cumulative 2 nd quarter 2015	Cumulative 2 nd quarter 2014
Current income tax	10,832	9,915	23,559	20,867
Deferred tax – origination and reversal of temporary differences	4,907	5,782	3,439	12,049
Under/(over) provision in respect of previous years				
- Income tax	(26)	(1,198)	(24)	(1,192)
- Deferred tax	352	176	400	324
	<u>16,065</u>	<u>14,675</u>	<u>27,374</u>	<u>32,048</u>

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

5. Tax expense (cont'd)

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	2015	2014	2015	2014
Profit before tax	86,554	82,766	167,798	168,896
Tax at Malaysian statutory tax rate of 25%	21,639	20,692	41,950	42,224
Different tax rates in other countries	(1,508)	(1,283)	(3,374)	(2,497)
Effect of reduction in income tax rate on deferred tax	193	-	1,121	-
Income not subject to tax	(7,808)	(4,518)	(12,220)	(8,931)
Expenses not deductible for tax purposes	2,167	2,195	3,630	3,180
Utilisation of previously unrecognised tax losses	(358)	(331)	(754)	(552)
Deferred tax assets recognised	1,877	-	(2,900)	-
Under/(over) provision in respect of previous years				
- Income tax	(26)	(1,198)	(24)	(1,192)
- Deferred tax	352	176	400	324
Share of results of a joint venture	81	49	135	104
Share of results of an associate	(669)	(541)	(956)	(935)
Others	125	(566)	366	323
Total income tax expense	16,065	14,675	27,374	32,048
Effective income tax rate	18.6%	17.7%	16.3%	19.0%

6. Status of corporate proposals

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

7. Group borrowings and debt securities

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

<u>CP/MTN – RM1.5 billion</u>	<u>Currency</u>	<u>31/03/2015</u>	<u>30/09/2014</u>
Commercial Papers ("CP") – Current	RM'000	100,000	50,000
Medium term notes ("MTN") – Non-current	RM'000	300,000	300,000
		<u>400,000</u>	<u>350,000</u>

On 18 February 2015, its subsidiary F&N Capital Sdn Bhd ("the Issuer") utilised RM100 million of the CP facility with the tenure of six (6) months and interest rate of 4.05% per annum.

On 26 September 2013 and 7 October 2013, the Issuer issued MTN of RM150 million each with the tenure of five (5) years from the issued date. These MTN bear interest at rates of 4.38% and 4.24% per annum respectively and payable semi-annually in arrears.

8. Material litigation

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

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

9. Proposed dividend

The Directors are pleased to declare an interim single tier dividend of 22 sen per share (2014: 22 sen) for the financial year ending 30 September 2015. This dividend amounting to approximately RM80.6 million will be paid on 12 June 2015.

The entitlement date for the above dividend shall be 22 May 2015 and a depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred to the depositor's securities account before 4.00pm on 22 May 2015 in respect of ordinary transfer; and
- (b) Shares bought on the BURSA MALAYSIA SECURITIES BERHAD on a cum entitlement basis according to the Rules of the BURSA MALAYSIA SECURITIES BERHAD.

10. Earnings per share (EPS)

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

	Individual 2 nd quarter 2015	2014	Cumulative 2 nd quarter 2015	2014
Group attributable profit to shareholders of the Company (RM'000)	70,490	68,091	140,425	136,857
Weighted average number of ordinary shares net of treasury shares ('000)	366,139	366,192	366,002	365,159
Basic earnings per share (sen)	19.3	18.6	38.4	37.5

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

	Individual 2 nd quarter 2015	2014	Cumulative 2 nd quarter 2015	2014
Group attributable profit to shareholders of the Company (RM'000)	70,490	68,091	140,425	136,857
Weighted average number of ordinary shares net of treasury shares ('000)	366,139	366,192	366,002	365,159
Adjustments pursuant to the ESOS/SGP ('000)	79	553	102	652
Adjusted weighted average number of ordinary shares net of treasury shares ('000)	366,218	366,745	366,104	365,811
Diluted earnings per share (sen)	19.2	18.6	38.4	37.4

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

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

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

RM'000	<u>31/03/2015</u>	<u>30/09/2014</u>
Total revenue reserve of the Company and its subsidiaries		
- Realised	860,364	827,105
- Unrealised	<u>42,327</u>	<u>26,431</u>
	902,691	853,536
Total share of accumulated losses from a joint venture		
- Realised	(3,000)	(2,325)
- Unrealised	679	543
	(2,321)	(1,782)
Total share of retained earnings from an associate		
- Realised	10,517	11,225
- Unrealised	(2,077)	(1,599)
	8,440	9,626
Consolidation adjustments	<u>(17,720)</u>	<u>10,086</u>
Total Group retained profits as per financial statements	<u><u>891,090</u></u>	<u><u>871,466</u></u>

12. Notes to the Condensed Consolidated Income Statement

PBT is arrived at after charging/(crediting) the following items:

RM'000	<u>Individual 2nd quarter</u>		<u>Cumulative 2nd quarter</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
(a) Other income	(440)	(3,307)	(2,355)	(4,869)
(b) Depreciation and amortisation	22,726	21,785	45,229	43,469
(c) Impairment of intangible assets	-	-	-	-
(d) Impairment of property, plant and equipment	(2,161)	-	539	-
(e) Impairment loss on receivables	(538)	4,069	904	5,132
(f) Bad debts written off	-	-	-	-
(g) Bad debts recovered	-	(69)	(85)	(4,761)
(h) Inventories written down	2,901	46	3,454	385
(i) Inventories written off	3,304	2,525	5,440	4,690
(j) (Gain)/loss on disposal of quoted or unquoted investments	-	-	-	-
(k) Net loss on disposal/write offs of property, plant and equipment/intangible assets	1,157	147	1,651	976

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

12. Notes to the Condensed Consolidated Income Statement (cont'd)

RM'000	Individual 2 nd quarter 2015	Individual 2 nd quarter 2014	Cumulative 2 nd quarter 2015	Cumulative 2 nd quarter 2014
(l) Impairment of other assets	-	-	-	-
(m) Foreign exchange loss/(gain)	1,500	(217)	(142)	535
(n) Loss on forward foreign exchange contracts	494	377	1,089	297

13. Outstanding derivatives

- (a) Outstanding derivatives consist of foreign exchange contracts which are measured at fair value together with their corresponding notional value amounts as follows:

RM'000	31/03/2015	30/09/2014
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	20,763	50,625
- Fair value	216	1,305

There is no significant change for the financial derivatives in respect of the following since the year ended 30 September 2014:

- (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 6 months period ended 31 March 2015, the Group recognised a total net loss of RM1,089,000 (2014: RM297,000) 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 2015.