



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

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For immediate release

QUARTERLY FINANCIAL REPORT

Third quarter and nine months ended 30th June 2016

The Directors are pleased to release the unaudited quarterly financial report for the quarter and nine months ended 30 June 2016.

The contents of the financial report comprise the following attached unaudited condensed consolidated financial statements, explanatory notes and additional disclosures and these must be read in conjunction with the Group's audited financial statements for the year ended 30 September 2015:

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

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

By Order of the Board

Soon Wing Chong
Mayeen Wong May Fun
Joint Secretaries

Kuala Lumpur
2 August 2016

Schedule A : Unaudited Condensed Consolidated Income Statement

For the quarter and nine months ended 30 June 2016

RM'000	Individual 3 rd quarter			Cumulative 3 rd quarter		
	30/06/2016	30/06/2015	% chg	30/06/2016	30/06/2015	% chg
Revenue	1,095,805	1,076,216	1.8%	3,148,273	3,052,426	3.1%
Cost of sales	(700,863)	(743,015)		(2,045,912)	(2,126,309)	
Gross profit	394,942	333,201	18.5%	1,102,361	926,117	19.0%
Other income	3,711	3,408		33,348	5,781	
Operating expenses	(288,479)	(237,186)		(751,455)	(666,754)	
Operating profit	110,174	99,423	10.8%	384,254	265,144	44.9%
Interest income	3,908	3,401		11,906	10,077	
Interest expense	(3,734)	(4,392)		(10,564)	(12,276)	
Share of results of a joint venture #	(710)	(2,307)		(1,170)	(2,846)	
Share of results of an associate ^	2,139	2,178		6,804	6,002	
Profit before tax (PBT)	111,777	98,303	13.7%	391,230	266,101	47.0%
Taxation (Schedule G, Note 5)	(18,226)	(15,378)		(55,448)	(42,752)	
Profit after tax (PAT)	93,551	82,925	12.8%	335,782	223,349	50.3%
Attributable to:						
Equity holders of the Company	93,551	82,925	12.8%	335,783	223,350	50.3%
Non-controlling interests	-	-		(1)	(1)	
Profit after tax	93,551	82,925	12.8%	335,782	223,349	50.3%
Basic earnings per share (sen) attributable to equity holders of the Company	25.5	22.7	12.3%	91.7	61.0	50.3%
Diluted earnings per share (sen) attributable to equity holders of the Company	25.4	22.6	12.4%	91.3	61.0	49.7%

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 nine months ended 30 June 2016.

^ The share of results of an associate for the quarter refers to Cocoland Holdings Berhad and is derived from its unaudited quarterly announcement for the quarter ended 31 March 2016 dated 30 May 2016.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2015.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income

For the quarter and nine months ended 30 June 2016

RM'000	Individual 3 rd quarter			Cumulative 3 rd quarter		
	30/06/2016	30/06/2015	% chg	30/06/2016	30/06/2015	% chg
Profit after tax	93,551	82,925	12.8%	335,782	223,349	50.3%
Other comprehensive income, net of tax:						
<i>Item that is or may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operations	15,280	(3,765)		(33,190)	45,963	
<i>Item that is reclassified to profit or loss</i>						
Exchange differences on settlement of a net investment	-	-		(33,118)	-	
	15,280	(3,765)		(66,308)	45,963	
Total comprehensive income	108,831	79,160	37.5%	269,474	269,312	0.1%
Total comprehensive income attributable to:						
Equity holders of the Company	108,831	79,160		269,475	269,313	
Non-controlling interests	-	-		(1)	(1)	
	108,831	79,160	37.5%	269,474	269,312	0.1%

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2015.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2016

RM'000	30/06/2016	30/09/2015
Non-current assets		
Property, plant and equipment	1,065,283	1,064,821
Investment properties	50,763	50,763
Properties held for development	55,317	55,291
Investment in a joint venture <i>(Schedule F, Note 8)</i>	83,362	80,196
Investment in an associate <i>(Schedule F, Note 9)</i>	75,792	72,410
Intangible assets	126,389	131,155
Deferred tax assets	36,445	49,330
	1,493,351	1,503,966
Current assets		
Inventories	509,730	542,775
Receivables	677,421	562,042
Tax recoverable	4,861	14
Cash and short term deposits	453,222	412,209
	1,645,234	1,517,040
Total assets	3,138,585	3,021,006
Equity		
Share capital and reserves	1,916,715	1,876,803
Non-controlling interests	203	204
Total equity	1,916,918	1,877,007
Non-current liabilities		
Borrowings	370,714	300,000
Provision for retirement benefits	39,903	37,937
Deferred tax liabilities	31,477	32,682
	442,094	370,619
Current liabilities		
Payables	736,627	753,291
Provisions	-	7,925
Borrowings	28,286	-
Provision for taxation	14,660	12,164
	779,573	773,380
Total liabilities	1,221,667	1,143,999
Total equity and liabilities	3,138,585	3,021,006
Net assets per share (RM) attributable to equity holders of the Company	5.23	5.12

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2015.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the nine months ended 30 June 2016

RM'000	Cumulative 3 rd quarter	
	30/06/2016	30/06/2015 (Restated)
Operating activities		
Profit before tax	391,230	266,101
Add non-cash items:		
- Depreciation and amortisation	71,469	67,945
- Impairment of property, plant and equipment	6	1,107
- Impairment loss on receivables	288	1,633
- Inventories written down	1,724	6,482
- Inventories written off	8,752	6,488
- Bad debts recovered	(51)	(97)
- Share-based payment transactions expense	6,950	7,603
- Property, plant and equipment written off	850	* 1,664
- Net loss on disposal of property, plant and equipment	48	* 442
- Net fair value loss on derivatives	5,843	* 242
- Interest expense	10,564	12,276
- Interest income	(11,906)	(10,077)
- Share of results of a joint venture	1,170	2,846
- Share of results of an associate	(6,804)	(6,002)
- Others	316	* (1,774)
Changes in working capital #	(123,690)	(111,143)
Tax paid	(46,336)	(32,126)
Net cash flows generated from operating activities	310,423	213,610
Investing activities		
Interest received	9,091	5,530
Dividend received	3,421	3,500
Loan to a joint venture	-	(3,700)
Proceeds from disposal of property, plant and equipment	490	734
Purchase of property, plant and equipment	(92,950)	(56,494)
Purchase of intangible assets	(142)	(218)
Net cash flows used in investing activities	(80,090)	(50,648)
Financing activities		
Interest paid	(10,264)	(12,239)
Dividend paid	(229,088)	(201,380)
Net movement in borrowings	99,000	50,000
Purchase of shares by Share Grant Plan ("SGP") Trust	(9,337)	-
Proceeds from the exercise of the Executives' Share Options Scheme ("ESOS")	1,912	7,679
Net cash flows used in financing activities	(147,777)	(155,940)
Net increase in cash and cash equivalents	82,556	7,022
Effects of foreign exchange rate changes	(38,477)	20,749
Cash and cash equivalents at beginning of year	409,143	365,387
Cash and cash equivalents at end of quarter	453,222	393,158

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2015.

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

For the nine months ended 30 June 2016

RM'000	Cumulative 3 rd quarter	
	30/06/2016	30/06/2015 (Restated)
Cash and cash equivalents comprise:		
Cash and bank balances	245,101	228,586
Short term deposits with licensed banks	208,121	164,572
Cash and short term deposits	453,222	393,158
Deposits with a licensed bank with a maturity period of more than 3 months	-	-
	453,222	393,158

Included the interest amounting to RM4,336,000 (2015: RM3,920,000) accrued on loan to a joint venture.

* The comparatives for the nine months ended 30 June 2016 have been restated as disclosed in Schedule F, Note 22.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2015.

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

For the nine months ended 30 June 2016

<----- Attributable to equity holders of the Company ----->
<----- Non-distributable -----> Distributable

RM'000	Share capital	Share premium	Treasury shares	Shares held by SGP Trust (Note a)	Loss on purchase of shares for SGP (Note b)	Foreign exchange reserve	Share-based payment reserve	Legal reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 October 2015	366,647	447,904	(1,716)	(7,733)	(190)	97,763	13,285	9,934	950,909	1,876,803	204	1,877,007
Total comprehensive income	-	-	-	-	-	(66,308)	-	-	335,783	269,475	(1)	269,474
Transactions with owners:												
Issuance of shares upon exercise of ESOS and SGP	132	2,087	-	7,745	(607)	-	(7,445)	-	-	1,912	-	1,912
Purchase of shares by SGP Trust	-	-	-	(9,337)	-	-	-	-	-	(9,337)	-	(9,337)
Employee share-based payment expense	-	-	-	-	-	-	6,950	-	-	6,950	-	6,950
Dividend paid	-	-	-	-	-	-	-	-	(229,088)	(229,088)	-	(229,088)
Total transactions with owners	132	2,087	-	(1,592)	(607)	-	(495)	-	(229,088)	(229,563)	-	(229,563)
At 30 June 2016	366,779	449,991	(1,716)	(9,325)	(797)	31,455	12,790	9,934	1,057,604	1,916,715	203	1,916,918
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	-	-	-	-	-	45,963	-	-	223,350	269,313	(1)	269,312
Transactions with owners:												
Issuance of shares upon exercise of ESOS	536	7,143	-	-	-	-	-	-	-	7,679	-	7,679
Employee share-based payment expense	-	-	-	-	-	-	7,603	-	-	7,603	-	7,603
Dividend paid	-	-	-	-	-	-	-	-	(201,380)	(201,380)	-	(201,380)
Total transactions with owners	536	7,143	-	-	-	-	7,603	-	(201,380)	(186,098)	-	(186,098)
At 30 June 2015	366,564	445,349	(1,716)	-	-	42,276	15,985	9,934	893,436	1,771,828	205	1,772,033

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

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

2. Basis of preparation

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

The audited consolidated financial statements of the Group for the year ended 30 September 2015 are available upon request from the Company’s registered office at Level 8, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur, Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 September 2015. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 September 2015.

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

3. Standards issued but not yet effective

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2016

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

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

- Amendments to MFRS 107 *Disclosure Initiative*
- Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarifications to MFRS 15 *Revenue from Contracts with Customers*

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

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

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

- MFRS 16 *Leases*

MFRSs, interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

* *not applicable*

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

MFRS 9 *Financial Instruments*

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

MFRS 15 *Revenue from Contracts with Customers*

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

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

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

4. Auditors' report
 The auditors' report of the preceding annual financial statements of the Company and of the Group was not subject to any qualification.
5. Comment on seasonality or cyclicity of operation
 The Group's performance is normally not affected by seasonal or cyclical events on a year to year basis. However, on a quarter to quarter basis, the demand for certain products such as soft drinks and evaporated milk may be skewed towards major festivities and weather pattern.
6. Unusual items affecting assets, liabilities, equity, net income or cash flows
 There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2016.
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	30/06/2016	30/09/2015
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	(6,314)	(5,144)
	(5,814)	(4,644)
Shareholder's loan	124,820	124,820
Interest on shareholder's loan	19,648	15,312
	138,654	135,488
Less: Unrealised profit	(55,292)	(55,292)
	<u>83,362</u>	<u>80,196</u>

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

RM'000	30/06/2016	30/09/2015
Total assets	279,487	273,595
Total liabilities	(291,135)	(282,902)

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Revenue	-	-	-	-
Loss	(1,421)	(4,616)	(2,341)	(5,693)

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

9. Investment in an associate

RM'000	30/06/2016	30/09/2015
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	33,388	26,584
Dividend received	(26,323)	(22,901)
	<u>75,792</u>	<u>72,410</u>
Fair value of investment in an associate for which there is published price quotation	<u>125,667</u>	<u>114,314</u>

The summarised financial information of the associate is as follows:

RM'000	30/06/2016	30/09/2015
Total assets ^	257,235	279,221
Total liabilities ^	(46,681)	(49,517)

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Revenue ^	62,531	67,742	194,766	204,174
Profit ^	<u>7,868</u>	<u>8,011</u>	<u>25,028</u>	<u>22,077</u>

^ The share of results of an associate for the quarter refers to Coccoland Holdings Berhad and is derived from its unaudited quarterly announcement for the quarter ended 31 March 2016 dated 30 May 2016.

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 cumulative 3rd quarter except for the issuance of 131,700 ordinary shares pursuant to the ESOS Scheme at the exercise price of RM14.52 each.

11. Dividends paid during the financial year

A final single tier dividend of 35.5 sen per share amounting to RM130.1 million (2015: 33 sen per share amounting to RM120.8 million) in respect of the year ended 30 September 2015 was paid on 4 February 2016.

An interim single tier dividend of 27 sen per share (2015: 22 sen) was declared for the year ending 30 September 2016 on 5 May 2016. This dividend amounting to RM98.9 million (2015: RM80.6 million) was paid on 15 June 2016.

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

12. Segmental information

Segment results

Pursuant to the internal reorganisation of the Group undertaken in phases to align the Group's operations and management structure, the Group's operating businesses are now organised according to products and services, namely Food and Beverages Malaysia (Soft Drinks and Dairies Malaysia segments have now been combined into a single segment), Food and Beverages Thailand (previously named as Dairies Thailand segment), Property and Others segments. Segment performance is evaluated based on operating profit. Inter-segment transactions and pricing arrangements, where applicable, are determined on a commercial basis. The results by segments for the quarter, preceding and previous quarter are as follows. The results by segments for the preceding and previous quarter have been restated according to the new organisational structure.

RM'000	Revenue				
	Food and Beverages Malaysia ("F&B Malaysia")	Food and Beverages Thailand ("F&B Thailand")	Property	Others	Total
<u>3rd quarter - 30/06/2016</u>					
Total revenue	688,749	409,529	820	28,506	1,127,604
Inter-segment	(21)	(2,634)	(756)	(28,388)	(31,799)
External	688,728	406,895	64	118	1,095,805
<u>3rd quarter - 30/06/2015</u>					
Total revenue	703,538	386,658	1,165	19,584	1,110,945
Inter-segment	(6,078)	(8,375)	(847)	(19,429)	(34,729)
External	697,460	378,283	318	155	1,076,216
<u>2nd quarter - 31/03/2016</u>					
Total revenue	631,561	370,227	1,200	28,581	1,031,569
Inter-segment	(35)	(2,362)	(988)	(29,017)	(32,402)
External	631,526	367,865	212	(436)	999,167
<u>Cumulative 3rd quarter - 30/06/2016</u>					
Total revenue	1,964,167	1,194,621	3,115	82,878	3,244,781
Inter-segment	(3,660)	(7,736)	(2,586)	(82,526)	(96,508)
External	1,960,507	1,186,885	529	352	3,148,273
<u>Cumulative 3rd quarter - 30/06/2015</u>					
Total revenue	1,963,992	1,115,570	3,410	55,448	3,138,420
Inter-segment	(6,143)	(22,576)	(2,306)	(54,969)	(85,994)
External	1,957,849	1,092,994	1,104	479	3,052,426

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

12. Segmental information (cont'd)

Segment assets

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

RM'000	<u>30/06/2016</u>	<u>30/09/2015</u>
F&B Malaysia	1,627,952	1,538,526
F&B Thailand	691,771	688,347
Property	117,873	118,255
Others	<u>52,168</u>	<u>61,733</u>
	<u>2,489,764</u>	<u>2,406,861</u>

Segment liabilities

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

RM'000	<u>30/06/2016</u>	<u>30/09/2015</u>
F&B Malaysia	504,404	515,961
F&B Thailand	241,101	258,938
Property	1,108	1,417
Others	<u>29,917</u>	<u>22,837</u>
	<u>776,530</u>	<u>799,153</u>

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

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	<u>30/06/2016</u>	<u>30/06/2015</u>	<u>30/06/2016</u>	<u>30/06/2015</u>
Acquisitions (cost)	40,680	12,511	93,092	56,712
Disposals/write-offs (net carrying amount)	644	699	1,388	2,840
Net loss on disposals/write-offs	<u>421</u>	<u>455</u>	<u>898</u>	<u>2,106</u>

14. Significant events

There were no significant events during the quarter.

15. Subsequent events

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

16. Changes in the composition of the Group

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

17. Contingent liabilities

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

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

18. Contingent assets

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

19. Fair value hierarchy

As at 30 June 2016, the Group held foreign currency forward contracts carried at fair value of approximately RM159,000 (30 September 2015: RM5,713,000) based on Level 2: significant observable inputs for identical assets or liabilities. There was no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial asset that subsequently resulted in a different classification of that asset during the quarter.

The Group held investment properties amounting to RM50,763,000 (30 September 2015: RM50,763,000) carried at Level 3: significant unobservable inputs.

20. Capital and lease commitments

Capital commitments

The outstanding capital commitments are as follows:

RM'000	<u>30/06/2016</u>	<u>30/09/2015</u>
<u>Property, plant and equipment</u>		
Contracted but not provided for:		
- Building	139	4,005
- Machinery and equipment	55,354	39,548
- Others	6,765	887
	<u>62,258</u>	<u>44,440</u>
Authorised but not contracted for:		
- Building	59,998	58
- Machinery and equipment	160,758	37,809
- Others	1,448	1,724
	<u>222,204</u>	<u>39,591</u>
	<u><u>284,462</u></u>	<u><u>84,031</u></u>

Lease commitments

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

RM'000	<u>30/06/2016</u>	<u>30/09/2015</u>
<u>Non-cancellable operating lease commitments - Group as lessee</u>		
Future minimum rentals payable:		
- Not later than 1 year	11,589	11,617
- Later than 1 year and not later than 5 years	23,395	27,647
- Later than 5 years	1,023	1,170
	<u>36,007</u>	<u>40,434</u>

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

21. Related party disclosure

Significant related party transactions

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

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>				
Sales	(64,496)	(48,322)	(184,763)	(138,672)
Receipt of corporate service fees and staff costs	(24)	-	(24)	-
Rental income	(110)	(92)	(328)	(276)
Purchases	62,119	52,143	185,497	156,144
Royalties paid	15,687	16,149	44,617	42,063
Corporate charges paid	274	374	1,477	1,211
Internal audit fees paid	880	-	880	-
Other expenses paid	-	-	1	57
<u>Vacaron Company Sdn Bhd</u>				
Sales	(2)	(4)	(4)	(8)
Receipt of corporate service fees	(123)	(240)	(413)	(864)
Rental income	-	(26)	-	(80)
Interest income	-	(1,409)	(2,902)	(4,152)
Shareholder's loan granted	-	3,700	-	3,700
<u>Cocoaland Holdings Berhad Group</u>				
Purchases	1,275	1,221	4,843	3,449
<u>Thai Beverage Public Company Limited Group</u>				
Sales	(133)	(133)	(475)	(327)
Purchases	2,220	2,412	6,369	4,003
Other expenses	42	-	48	-
<u>Berli Jucker Public Company Limited Group</u>				
Sales	(19)	(83)	(309)	(382)
Purchases	4,466	20,088	40,973	50,036
Other expenses	59	114	189	257
<u>Other related parties of TCC Group</u>				
Sales	(1,227)	(114)	(1,965)	(478)
Purchases	56	-	56	-
Management fees	402	309	1,561	1,284
Insurance premium paid	(25)	-	3,365	2,891
Other expenses	5	15	18	17
<u>Permodalan Nasional Berhad ("PNB") Group *</u>				
Sales	(19,495)	(18,682)	(57,350)	(57,446)
Purchases	3,808	10,817	21,471	36,134
Rental of equipment paid	573	498	1,634	1,434
Other expenses	65	240	204	298
<u>Compensation</u>				
Compensation of key management personnel of the Group	1,366	1,273	5,270	5,121
Directors' fees	-	346	623	956

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

21. Related party disclosure (cont'd)

Related party balances

The related party balances are shown below:

RM'000	30/06/2016	30/09/2015
<u>Amount due from related parties</u>		
F&N Limited Group	49,116	39,757
Vacaron Company Sdn Bhd	144,515	140,206
Cocoaland Holdings Berhad Group	-	10,502
Thai Beverage Public Company Limited Group	226	185
Berli Jucker Public Company Limited Group	-	210
Other related parties of TCC Group	823	35
PNB Group	14,456	13,877
<u>Amount due to related parties</u>		
F&N Limited Group	(40,878)	(41,973)
Cocoaland Holdings Berhad Group	(256)	(1,159)
Thai Beverage Public Company Limited Group	(773)	(1,556)
Berli Jucker Public Company Limited Group	(1,110)	(8,668)
Other related parties of TCC Group	(249)	(127)
PNB Group	1,415	(9,073)

* Permodalan Nasional Berhad ("PNB") is deemed a related party to FNHB by virtue of PNB holding 58,511,600 shares as of 30 June 2016 through Amanahraya Trustees Berhad, representing 15.963% equity interest in FNHB and having two nominee directors on the Board of FNHB.

22. Change in comparatives

The comparatives for the quarter and nine months ended 30 June 2016 have been restated as follows:

RM'000	As previously stated	Adjustments (a)	As restated
<u>Statement of cash flows:</u>			
<u>For the nine months ended 30 June 2015</u>			
Property, plant and equipment written off	-	1,664	1,664
Net loss on disposal of property, plant and equipment	-	442	442
Net fair value loss on derivatives	-	242	242
Others	574	(2,348)	(1,774)

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

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

1. Operations review

Current quarter ended 30 June 2016 vs corresponding quarter ended 30 June 2015

Group current quarter turnover grew by 1.8% from RM1,076.2 million to RM1,095.8 million, whilst profit before tax increased substantially by 13.7% from RM98.3 million to RM111.8 million.

F&B Malaysia revenue declined by 1.3% from RM697.5 million to RM688.7 million compared with the corresponding quarter, despite strong execution of festival driven consumer and trade promotions. This was due to increased competitor pricing pressures for both soft drinks and dairies products. Additionally, consumer confidence continued to be soft in light of the prevailing economic conditions.

F&B Malaysia operating profit was flat on lower volume, competitor pricing pressure, higher advertising and promotions expenditure for Hari Raya festive season, professional fees related to the realignment of management structure and salary costs, offset by favourable milk-based commodity costs. During the quarter, the final insurance claim relating to the East Coast flood in 2014 ("East Coast flood insurance claim") amounting to RM2.8 million was received.

F&B Thailand revenue grew by 7.6% from RM378.3 million to RM406.9 million as its nationwide 9th Anniversary Celebration campaign was well-received by consumers. This was further supported by increasing its network and distribution points (particularly on-premise outlets) and strong branding programs. Operating profit increased significantly by 55.2% from RM34.0 million to RM52.8 million, on corresponding higher volume, better product portfolio mix, continuing favourable milk-based commodity costs despite higher advertising and promotions expenditure for existing and new products.

Others operating profit of RM1.9 million in corresponding quarter reversed to an operating loss of RM4.5 million in the current quarter mainly due to an increase in staff costs from the realignment of management structure.

Cumulative three quarters vs corresponding period last year

Group turnover grew by 3.1% from RM3,052.4 million to RM3,148.3 million and profit before tax increased by 47.0% from RM266.1 million to RM391.2 million.

F&B Malaysia revenue grew marginally (from RM1,957.8 million to RM1,960.5 million) compared to the corresponding period due to continuing softer consumer sentiments, higher competitive pricing pressures and absence of contribution from Red Bull (termination of the exclusive marketing, distribution and sale of Red Bull energy drink). F&B Malaysia continued to grow its core brands contribution. In light of the current softening economic environment, the operations increased its distribution and coverage for the domestic market (aided by effective trade and consumer promotions). The various new products launched during the period have also performed above target.

F&B Malaysia operating profit increased by 24.4% from RM167.5 million to RM208.5 million on favourable product portfolio mix and milk-based global commodity prices for its canned milk products, realisation of manufacturing efficiencies and finalisation of East Coast flood insurance claim, offset by higher tactical discounts and absence of contribution from Red Bull. East Coast flood insurance claim amounting to RM3.7 million has been received for the year to date.

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

1. Operations review (cont'd)

Cumulative three quarters vs corresponding period last year (cont'd)

F&B Thailand revenue grew by 8.6% from RM1,093.0 million to RM1,186.9 million, building on the strong consumer response to its year-long 9th Anniversary Celebration campaign and supported by effective branding and consumer trade programs. Operating profit increased substantially from RM90.1 million to RM160.6 million, aided significantly by favourable milk-based commodity prices, recovery of withholding tax on royalties paid in previous years (equivalent to RM8.5 million) and continuing realised manufacturing efficiencies.

Others operating profit of RM25.7 million reversed to an operating loss of RM17.4 million for the period mainly due to an increase in staff costs from the realignment of management structure. The loss was partially mitigated by the realisation of foreign exchange gain of RM18.2 million on the early redemption of the zero coupon bond by F&B Thailand.

2. Comment on material change in Group profit before tax for the quarter ended 30 June 2016 vs preceding 2nd quarter ended 31 March 2016

Group revenue for the quarter of RM1,095.8 million was higher than the RM999.2 million recorded in the preceding quarter and Group profit before tax increased by 3.9% from RM107.6 million to RM111.8 million partly attributed to higher revenue, favourable product portfolio mix, higher realisation of milk-based commodity savings and East Coast flood insurance claim.

F&B Malaysia revenue for the current quarter increased by RM57.2 million as a result of effective festival sell-in (supported by consumer driven packaging formats) and favourable product portfolio mix. Additionally, F&B Malaysia benefitted from the earlier Hari Raya with higher sell-in in June (as opposed to preceding year). Operating profit decreased from RM64.3 million to RM62.6 million mainly due to higher advertising and promotions expenditure and accrual for staff costs.

F&B Thailand revenue and operating profit also increased from RM367.9 million to RM406.9 million and RM41.2 million to RM52.8 million respectively on the back of higher revenue contribution stemming from its anniversary campaign.

Others operating loss increased from RM1.4 million to RM4.5 million mainly due to higher accrual for staff costs.

3. Prospects

The Malaysian economy show signs of uncertainty with weak consumer sentiment stemming from higher cost of living and imported inflation effects.

Furthermore, the Malaysian operation has seen major competitors offering smaller packaging formats, to provide a lower price point for consumers. Milk-based commodity prices appear to have stabilised, but there are signs of upward global pricing pressure on sugar. Against this backdrop, the Group has forward hedged its core commodity requirements along with the corresponding foreign currency exchange risks wherever possible.

In Thailand, the canned milk market is expected to see increased competition with expected higher trade price competition in all its consumer segments.

The Group will remain vigilant to dynamic market conditions and developments, and develop appropriate strategies to sustain its leading position whilst maximising shareholders' returns.

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

4. Profit forecast or profit guarantee

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

5. Taxation

The details of the tax expense are as follows:

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Current income tax	14,141	9,517	44,524	33,076
Deferred tax – origination and reversal of temporary differences	4,895	6,516	12,224	9,955
Underprovision in respect of previous years				
- Income tax	-	-	(566)	(24)
- Deferred tax	(810)	(655)	(734)	(255)
	<u>18,226</u>	<u>15,378</u>	<u>55,448</u>	<u>42,752</u>

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

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Profit before tax	<u>111,777</u>	<u>98,303</u>	<u>391,230</u>	<u>266,101</u>
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	26,826	24,575	93,895	66,525
Different tax rates in other countries	(2,522)	(2,040)	(7,573)	(5,414)
Effect of reduction in income tax rate on deferred tax	-	(435)	-	686
Income not subject to tax	(9,402)	(6,912)	(44,247)	(19,132)
Expenses not deductible for tax purposes	(897)	2,021	8,101	5,651
Utilisation of previously unrecognised tax losses	170	(2,516)	(1)	(3,270)
Deferred tax assets recognised	-	1,074	-	(1,826)
Deferred tax assets not recognised	1,257	-	3,810	-
Over provision in respect of previous years				
- Income tax	-	-	(566)	(24)
- Deferred tax	(810)	(655)	(734)	(255)
Share of results of a joint venture	171	577	281	712
Share of results of an associate	(513)	(545)	(1,633)	(1,501)
Others	3,946	234	4,115	600
Total income tax expense	<u>18,226</u>	<u>15,378</u>	<u>55,448</u>	<u>42,752</u>
Effective income tax rate	<u>16.3%</u>	<u>15.6%</u>	<u>14.2%</u>	<u>16.1%</u>

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

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

7. Group borrowings and debt securities
 The details of the Group's borrowings are as follows:

RM'000	Currency	30/06/2016	30/09/2015
<u>Current</u>			
Term loan	THB	28,286	-
<u>Non-current</u>			
Medium term notes ("MTN")	RM	300,000	300,000
Term loan	THB	70,714	-
		370,714	300,000
		399,000	300,000

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

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

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

9. Dividend declared in this quarter
 On 5 May 2016, the Directors have declared an interim single tier dividend of 27 sen per share (2015: 22 sen) for the financial year ending 30 September 2016. This dividend amounting to approximately RM99.0 million was paid on 15 June 2016.

The entitlement date for the above dividend was 23 May 2016 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 23 May 2016 in respect of ordinary transfer; and
- (b) Shares bought on BURSA MALAYSIA SECURITIES BERHAD on a cum entitlement basis according to the Rules of the BURSA MALAYSIA SECURITIES BERHAD.

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

10. Earnings per share (EPS)

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

	Individual 3 rd quarter 30/06/2016	30/06/2015	Cumulative 3 rd quarter 30/06/2016	30/06/2015
Group attributable profit to shareholders of the Company (RM'000)	<u>93,551</u>	<u>82,925</u>	<u>335,783</u>	<u>223,350</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,407	365,960	366,175	366,087
Basic earnings per share (sen)	25.5	22.7	91.7	61.0

- (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 3 rd quarter 30/06/2016	30/06/2015	Cumulative 3 rd quarter 30/06/2016	30/06/2015
Group attributable profit to shareholders of the Company (RM'000)	<u>93,551</u>	<u>82,925</u>	<u>335,783</u>	<u>223,350</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,407	365,960	366,175	366,087
Adjustments pursuant to the ESOS/SGP ('000)	<u>1,509</u>	<u>194</u>	<u>1,509</u>	<u>191</u>
Adjusted weighted average number of ordinary shares net of treasury shares ('000)	<u>367,916</u>	<u>366,154</u>	<u>367,684</u>	<u>366,278</u>
Diluted earnings per share (sen)	25.4	22.6	91.3	61.0

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	30/06/2016	30/09/2015
Total revenue reserve of the Company and its subsidiaries		
- Realised	1,016,346	941,135
- Unrealised	5,516	56,397
	<u>1,021,862</u>	<u>997,532</u>
Total share of accumulated losses from a joint venture		
- Realised	(7,498)	(6,672)
- Unrealised	1,184	1,528
	<u>(6,314)</u>	<u>(5,144)</u>
Total share of retained earnings from an associate		
- Realised	9,756	6,103
- Unrealised	(2,690)	(2,420)
	<u>7,066</u>	<u>3,683</u>
Consolidation adjustments	34,990	(45,162)
Total Group retained profits as per financial statements	<u>1,057,604</u>	<u>950,909</u>

12. Notes to the Condensed Consolidated Income Statement

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

RM'000	Individual 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
(a) Depreciation and amortisation	23,736	22,716	71,469	67,945
(b) Impairment loss on property, plant and equipment	-	568	6	1,107
(c) Reversal of impairment loss on property, plant and equipment	(272)	(753)	(1,078)	(1,461)
(d) Impairment loss on receivables	183	729	288	1,633
(e) Reversal of impairment loss on receivables	(890)	(123)	(1,092)	(395)
(f) Bad debts written off	-	-	-	-
(g) Bad debts recovered	(29)	(12)	(51)	(97)
(h) Inventories written down	429	3,028	1,724	6,482
(i) Reversal of inventories written down	(16)	(122)	(3,811)	(418)
(j) Inventories written off	2,813	1,048	8,752	6,488
(k) Net loss on disposal/write offs of property, plant and equipment/intangible assets	421	455	898	2,106

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 3 rd quarter		Cumulative 3 rd quarter	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
(l) Foreign exchange (gain)/loss	1,656	1,094	(17,157)	952
(m) (Gain)/loss on forward foreign exchange contracts	(1,067)	(847)	5,843	242

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	30/06/2016	30/09/2015
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	25,853	67,527
- Fair value	(159)	5,713

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

- (i) The credit risk, market risk and liquidity risk associated with these financial derivatives;
- (ii) The cash requirements of the financial derivatives;
- (iii) The policy in place for mitigating or controlling the risks associated with these financial derivatives; and
- (iv) The related accounting policies.

(b) Disclosure of gains/loss arising from fair value changes of derivative financial instruments

During the nine months period ended 30 June 2016, the Group recognised a total net loss of RM5,843,000 (2015: RM242,000) in the consolidated income statement arising from the fair value changes on the foreign exchange contracts which are marked-to-market as at 30 June 2016.