



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

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For immediate release

QUARTERLY FINANCIAL REPORT

First Quarter Ended 31 December 2019

The Directors are pleased to release the unaudited quarterly financial report for the three months ended 31 December 2019.

The contents of the financial report comprise the following attached unaudited condensed consolidated financial statements, explanatory notes and additional disclosures and these must be read in conjunction with the Group's audited financial statements for the year ended 30 September 2019:

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

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

By Order of the Board
Kuala Lumpur
3 February 2020

Schedule A : Unaudited Condensed Consolidated Income Statement

For the three months ended 31 December 2019

RM'000	1 st quarter		% chg
	31/12/2019	31/12/2018	
Revenue	1,111,142	1,010,272	10.0%
Cost of sales	(757,438)	(690,370)	
Gross profit	353,704	319,902	10.6%
Other income	1,905	2,624	
Operating expenses	(197,731)	(170,600)	
Operating profit	157,878	151,926	3.9%
Finance income	2,064	3,437	
Finance costs	(1,058)	(1,668)	
Share of profit of equity-accounted associate, net of tax [^]	1,780	1,893	
Share of loss of equity-accounted joint venture, net of tax [#]	(67)	(1,530)	
Profit before tax	160,597	154,058	4.2%
Tax expense (Schedule G, Note 5)	(32,241)	(31,205)	
Profit for the year	128,356	122,853	4.5%
Profit for the year attributable to:			
Owners of the Company	128,365	122,862	
Non-controlling interests	(9)	(9)	
Profit for the year	128,356	122,853	
Basic earnings per ordinary share (sen) (Schedule G, Note 10)	35.0	33.5	
Diluted earnings per ordinary share (sen) (Schedule G, Note 10)	34.9	33.4	

[^] 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 30 September 2019 dated 26 November 2019.

[#] The share of results of a joint venture for the quarter refers to Vacaron Company Sdn Bhd and is derived from its unaudited management accounts for the quarter ended 31 December 2019.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2019.

Schedule B: Unaudited Condensed Consolidated Statement of Comprehensive Income
 For the three months ended 31 December 2019

RM'000	1 st quarter		% <i>chg</i>
	31/12/2019	31/12/2018	
Profit for the year	128,356	122,853	4.5%
Other comprehensive income, net of tax:			
<i>Item that is or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations	(1,080)	(1,327)	
Total comprehensive income for the year	127,276	121,526	4.7%
Total comprehensive income attributable to:			
Owners of the Company	127,285	121,535	
Non-controlling interests	(9)	(9)	
	127,276	121,526	4.7%

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2019.

Schedule C : Unaudited Condensed Consolidated Statement of Financial Position

As at 31 December 2019

RM'000	31/12/2019	30/09/2019
Non-current assets		
Property, plant and equipment	1,362,854	1,339,180
Right-of-use assets [^]	22,962	-
Investment properties	48,775	48,775
Properties held for development	56,047	56,047
Intangible assets	120,220	120,646
Investment in an associate (<i>Schedule F, Note 8</i>)	85,217	89,658
Investment in a joint venture (<i>Schedule F, Note 9</i>)	87,561	87,613
Deferred tax assets	5,543	6,234
	<u>1,789,179</u>	<u>1,748,153</u>
Current assets		
Trade and other receivables	736,925	599,996
Inventories	615,180	578,404
Current tax asset	1,435	7,567
Derivative financial assets (<i>Schedule F, Note 18</i>)	21	6
Cash and cash equivalents	546,018	569,719
	<u>1,899,579</u>	<u>1,755,692</u>
Total assets	3,688,758	3,503,845
Equity		
Share capital and reserves	2,654,370	2,529,324
Non-controlling interests	90	99
Total equity	2,654,460	2,529,423
Non-current liabilities		
Loans and borrowings (<i>Schedule G, Note 7</i>)	82,135	95,909
Lease liabilities [^]	6,703	-
Employee benefits	49,555	49,511
Deferred tax liabilities	35,762	33,994
	<u>174,155</u>	<u>179,414</u>
Current liabilities		
Trade and other payables	673,528	* 664,581
Contract liabilities	73,586	* 54,420
Loans and borrowings (<i>Schedule G, Note 7</i>)	27,378	27,402
Lease liabilities [^]	18,452	-
Current tax liabilities	66,697	48,469
Derivative financial liabilities (<i>Schedule F, Note 18</i>)	502	136
	<u>860,143</u>	<u>795,008</u>
Total liabilities	1,034,298	974,422
Total equity and liabilities	3,688,758	3,503,845
Net assets per share (RM) attributable to owners of the Company	<u>7.24</u>	<u>6.90</u>

* Please refer to Schedule F, Note 21.

[^] Please refer to Schedule F, Note 2.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2019.

Schedule D : Unaudited Condensed Consolidated Statement of Cash Flows

For the three months ended 31 December 2019

RM'000	1 st quarter	
	31/12/2019	31/12/2018
Cash flows from operating activities		
Profit before tax	160,597	154,058
Add/(less) non-cash items:		
- Depreciation of property, plant and equipment and amortisation of intangible assets	26,758	25,284
- Depreciation of right-of-use assets	6,131	-
- Net reversal of impairment loss on property, plant and equipment	(9)	(29)
- Net impairment loss (reversed)/charged on receivables	(1)	131
- Net inventories written down/(reversal of inventories written down)	1,245	(5)
- Inventories written off	586	1,275
- Share-based payment transactions expense	1,719	1,810
- Property, plant and equipment written off	199	162
- Net loss on disposal of property, plant and equipment	20	18
- Net fair value loss on derivatives	351	389
- Finance income	(2,064)	(3,437)
- Finance costs	1,058	1,668
- Share of profit of equity-accounted associate, net of tax	(1,780)	(1,893)
- Share of loss of equity-accounted joint venture, net of tax	67	1,530
- Others	(140)	527
Changes in working capital #	(146,915)	(57,469)
Tax paid	(5,266)	(3,808)
Net cash from operating activities	42,556	120,211
Cash flows from investing activities		
Acquisition of intangible assets	-	(32)
Acquisition of property, plant and equipment	(50,634)	(27,649)
Dividends received	6,221	3,733
Interest received	2,264	2,289
Proceeds from disposal of intangible assets	-	56
Proceeds from disposal of property, plant and equipment	102	33
Net cash used in investing activities	(42,047)	(21,570)
Cash flows from financing activities		
Interest paid	(1,836)	(5,619)
Purchase of shares by Share Grant Plan ("SGP") Trust	(3,807)	(1,893)
Payment of lease liabilities	(3,900)	-
Repayment of loans and borrowings	(13,689)	(207,345)
Net cash used in financing activities	(23,232)	(214,857)
Net decrease in cash and cash equivalents	(22,723)	(116,216)
Effects of exchange rate fluctuations on cash and cash equivalents	(978)	(697)
Cash and cash equivalents at 1 October	569,719	537,092
Cash and cash equivalents at 31 December	546,018	420,179
Cash and bank balances	264,634	225,137
Short term deposits with licensed banks with a maturity period of 3 months or less	281,384	195,042
	546,018	420,179

Included the interest amounting to RM15,000 (2019: RM1,496,000) accrued on loan to a joint venture.

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2019.

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

For the three months ended 31 December 2019

RM'000	----- Attributable to owners of the Company ----->								Total	Non-controlling interests	Total equity
	<----- Non-distributable ----->					Distributable					
	Share capital	Treasury shares	Shares held by SGP Trust (Note a)	Loss on purchase of shares for SGP (Note b)	Translation reserve	Share-based payment reserve	Legal reserve	Retained earnings			
At 1 October 2019	816,770	-	(3,904)	(7,251)	122,570	12,691	9,934	1,578,514	2,529,324	99	2,529,423
Total comprehensive income	-	-	-	-	(1,080)	-	-	128,365	127,285	(9)	127,276
Transactions with owners:											
Purchase of shares by SGP Trust	-	-	(3,807)	-	-	-	-	-	(3,807)	-	(3,807)
Employee share-based payment expense	-	-	-	-	-	1,568	-	-	1,568	-	1,568
Total transactions with owners	-	-	(3,807)	-	-	1,568	-	-	(2,239)	-	(2,239)
At 31 December 2019	816,770	-	(7,711)	(7,251)	121,490	14,259	9,934	1,706,879	2,654,370	90	2,654,460
At 30 September 2018, as previously stated	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,393,615	2,312,336	135	2,312,471
Adjustments from adoption of MFRS 15 *	-	-	-	-	-	-	-	(6,920)	(6,920)	-	(6,920)
At 30 September 2018, restated	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,386,695	2,305,416	135	2,305,551
Opening balance adjustments from adoption of MFRS 9 *	-	-	-	-	-	-	-	(2,003)	(2,003)	-	(2,003)
At 1 October 2018, restated	816,770	(1,716)	(4,039)	(6,066)	87,415	16,423	9,934	1,384,692	2,303,413	135	2,303,548
Total comprehensive income	-	-	-	-	(1,327)	-	-	122,862	121,535	(9)	121,526
Transactions with owners:											
Purchase of shares by SGP trust	-	-	(1,893)	-	-	-	-	-	(1,893)	-	(1,893)
Employee share-based payment expense	-	-	-	-	-	1,854	-	-	1,854	-	1,854
Transfer of treasury shares	-	1,716	(1,716)	-	-	-	-	-	-	-	-
Total transactions with owners	-	1,716	(3,609)	-	-	1,854	-	-	(39)	-	(39)
At 31 December 2018	816,770	-	(7,648)	(6,066)	86,088	18,277	9,934	1,507,554	2,424,909	126	2,425,035

* Please refer to Schedule F, Note 21.

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

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

This Statement should be read in conjunction with the selected explanatory notes on Schedule F & G of this Report and the Group's audited financial statements for the year ended 30 September 2019.

Schedule F : Selected Explanatory Notes Pursuant to MFRS 134

1. Corporate information

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

The condensed consolidated interim financial statements of the Group (“interim financial statements”) as at and for the three months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate and a joint venture.

These interim financial statements were approved by the Board of Directors on 3 February 2020.

2. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These interim financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2019.

The audited consolidated financial statements of the Group for the year ended 30 September 2019 are available upon request from the Company’s registered office at Level 3A, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, Off Jalan Yew, 55100 Kuala Lumpur, Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 September 2019. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 September 2019.

The accounting policies and presentation applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 30 September 2019, except for the adoption of the following new and amended MFRSs, and Issues Committee (IC) Interpretations mandatory for annual financial periods beginning on or after 1 October 2019:

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

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

2. Basis of preparation (cont'd)

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

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

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

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

3. Standards issued but not yet effective

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts* *

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

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

* *not applicable*

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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 31 December 2019.

7. Significant estimates and changes in estimates

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

8. Investment in an associate

RM'000	<u>31/12/2019</u>	<u>30/09/2019</u>
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	67,075	65,295
Dividends received	<u>(50,585)</u>	<u>(44,364)</u>
	<u>85,217</u>	<u>89,658</u>
Fair value of investment in an associate for which there is published price quotation	<u>122,557</u>	<u>120,690</u>

The summarised financial information of the associate is as follows:

RM'000	<u>31/12/2019</u>	<u>30/09/2019</u>
Total assets	280,221	300,143
Total liabilities	<u>(33,589)</u>	<u>(37,177)</u>

RM'000	1 st quarter	
	<u>31/12/2019</u>	<u>31/12/2018</u>
Revenue	59,484	65,499
Profit	<u>6,547</u>	<u>6,961</u>

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

9. Investment in a joint venture

RM'000	31/12/2019	30/09/2019
Unquoted shares, at cost	127,320	500
Share of post-acquisition reserves	(22,761)	(22,694)
	104,559	(22,194)
Shareholder's loan	-	126,820
Interest on shareholder's loan	38,294	38,279
	142,853	142,905
Less: Unrealised profit	(55,292)	(55,292)
	<u>87,561</u>	<u>87,613</u>

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

RM'000	31/12/2019	30/09/2019
Total assets	286,042	286,199
Total liabilities	(76,944)	(330,606)

RM'000	31/12/2019	31/12/2018
	1 st quarter	
Revenue	-	-
Loss	(134)	(3,060)

10. Issuance or repayments of debt/equity securities

There has been no issuance, cancellation, repurchases, resale and repayments of debt and equity securities in the current quarter.

11. Dividends paid

No dividend has been paid in this quarter.

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

12. Segmental information

Segment results

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

RM'000	Revenue				Total
	F&B Malaysia	F&B Thailand	Property	Others	
<u>1st quarter - 31/12/2019</u>					
Total revenue	584,973	531,976	844	21,567	1,139,360
Inter-segment	-	(6,125)	(562)	(21,531)	(28,218)
External	584,973	525,851	282	36	1,111,142
<u>1st quarter - 31/12/2018</u>					
Total revenue	553,449	460,682	779	24,145	1,039,055
Inter-segment	-	(4,166)	(535)	(24,082)	(28,783)
External	553,449	456,516	244	63	1,010,272
<u>4th quarter - 30/09/2019</u>					
Total revenue	498,333	479,667	845	25,469	1,004,314
Inter-segment	-	(4,135)	(558)	(24,535)	(29,228)
External	498,333	475,532	287	934	975,086

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

12. Segmental information (cont'd)

Segment results (cont'd)

RM'000	Operating profit/(loss)					Total
	F&B Malaysia	F&B Thailand	Property	Others	Adjustments and eliminations	
<u>1st quarter - 31/12/2019</u>						
Operating profit/(loss)	48,693	110,908	(180)	(1,543)	-	157,878
Finance income						2,064
Finance costs						(1,058)
Share of results of an associate						1,780
Share of results of a joint venture						(67)
Profit before tax						<u>160,597</u>
<u>1st quarter - 31/12/2018</u>						
Operating profit	52,485	99,255	177	9	-	151,926
Finance income						3,437
Finance costs						(1,668)
Share of results of an associate						1,893
Share of results of a joint venture						(1,530)
Profit before tax						<u>154,058</u>
<u>4th quarter - 30/09/2019</u>						
Operating profit/(loss)	27,694	60,577	(157)	154	(1,728)	86,540
Finance income						4,020
Finance costs						(635)
Share of results of an associate						2,338
Share of results of a joint venture						(2,812)
Profit before tax						<u>89,451</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 investments in associate and joint venture, deferred tax assets, current tax asset and cash and cash equivalents.

RM'000	<u>31/12/2019</u>	<u>30/09/2019</u>
F&B Malaysia	1,942,441	1,792,899
F&B Thailand	879,807	822,398
Property	116,419	116,656
Others	24,317	11,101
	<u>2,962,984</u>	<u>2,743,054</u>

Segment liabilities

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

RM'000	<u>31/12/2019</u>	<u>30/09/2019</u>
F&B Malaysia	455,771	427,495
F&B Thailand	362,527	336,858
Property	715	810
Others	3,313	3,485
	<u>822,326</u>	<u>768,648</u>

13. Significant event

On 8 October 2019, F&NHB announced that its direct wholly-owned subsidiary, F&N AgriValley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) had on the same date entered into a conditional sale and purchase agreement ("SPA") with MSM Perlis Sdn Bhd, a direct wholly-owned subsidiary of MSM Malaysia Holdings Berhad, in relation to the proposed acquisition of 9 parcels of leasehold land measuring in total approximately 4,453.92 hectares, which is located in Mukim Chuping, Daerah Perlis, Negeri Perlis for a total cash consideration of RM156.0 million. Further details of the SPA are set out in the said announcement. As of the date of this quarterly financial report, the conditions precedent to the SPA has yet to be fulfilled.

14. Subsequent events

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

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

15. Changes in the composition of the Group

Incorporation of a new subsidiary

On 17 December 2019, F&NHB's wholly owned subsidiary, Fraser & Neave (Malaya) Sdn Bhd, incorporated Fraser and Neave MENA DWC-LLC ("F&N MENA") as its wholly owned subsidiary in Dubai World Central Free Zone, with an authorised share capital of AED300,000 comprising 300,000 shares of AED1 per share. F&N MENA was set up to conduct the business of beverages and dairies products trading.

16. Contingent liabilities

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

17. Contingent assets

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

18. Fair value hierarchy

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

RM'000	Fair value	
	<u>31/12/2019</u>	<u>30/09/2019</u>
Derivative financial assets	21	6
Derivative financial liabilities	502	136

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

The Group held investment properties amounting to RM48,775,000 (2019: RM48,775,000) carried at Level 3: significant unobservable inputs.

19. Capital commitments

Capital expenditure commitments

The outstanding capital commitments are as follows:

RM'000	<u>31/12/2019</u>	<u>30/09/2019</u>
<u>Property, plant and equipment</u>		
Contracted but not provided for	340,314	206,831
Authorised but not contracted for	75,917	230,691
	<u>416,231</u>	<u>437,522</u>

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

20. Related party disclosures

Significant related party transactions

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

RM'000	1 st quarter	
	31/12/2019	31/12/2018
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>		
Sales	70,781	59,051
Purchases	(56,039)	(45,006)
Royalties paid	(14,597)	(13,804)
<u>Vacaron Company Sdn Bhd</u>		
Finance income	15	1,496
<u>Cocoaland Holdings Berhad Group</u>		
Dividend income	6,221	3,733
<u>Thai Beverage Public Company Limited Group</u>		
Purchases	(3,245)	(1,333)
Marketing expenses	(6,496)	(3,854)
<u>Berli Jucker Public Company Limited Group</u>		
Sales	23,321	15,371
Purchases	(11,767)	(7,302)
Transportation expenses	(3,009)	(2,419)
<u>Other related parties of TCC Group</u>		
Purchases	(11,271)	(11,113)
<u>Permodalan Nasional Berhad ("PNB") Group *</u>		
Sales	20,990	18,436
Purchases	(17,065)	(5,526)
<u>Compensation</u>		
Compensation of key management personnel of the Group	(4,855)	(3,583)
Directors' fees and remuneration	(244)	(286)

* PNB is deemed a related party to F&NHB by virtue of PNB holding 25,807,400 shares as of 31 December 2019 through Amanahraya Trustees Berhad, representing 7.04% equity interest in F&NHB.

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

20. Related party disclosures (cont'd)

Related party balances

The related party balances are shown below:

RM'000	<u>31/12/2019</u>	<u>30/09/2019</u>
<u>Amount due from related parties</u>		
F&N Limited Group	50,439	61,234
Frasers Property Limited Group	30	51
Vacaron Company Sdn Bhd	38,315	165,130
Cocoaland Holdings Berhad Group	4	4
Thai Beverage Public Company Limited Group	583	437
Berli Jucker Public Company Limited Group	18,176	15,523
Other related parties of TCC Group	44	10
PNB Group	19,407	7,253
<u>Amount due to related parties</u>		
F&N Limited Group	(41,437)	(33,940)
Frasers Property Limited Group	(1)	(10)
Thai Beverage Public Company Limited Group	(5,698)	(4,892)
Berli Jucker Public Company Limited Group	(6,754)	(4,199)
Other related parties of TCC Group	(3,839)	(3,417)
PNB Group	(11,495)	(10,600)

21. Change in comparatives

The comparatives for the quarter ended 31 December 2019 have been restated as follows:

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

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

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

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

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

1. Operations review

Current quarter ended 31 December 2019 vs corresponding quarter ended 31 December 2018

Group revenue for the current quarter increased by 10.0%, from RM1,010.3 million to RM1,111.1 million with higher revenue contribution from F&B Thailand and F&B Malaysia. Correspondingly, Group profit before tax grew by 4.2% from RM154.1 million to RM160.6 million.

• F&B Malaysia

F&B Malaysia current quarter revenue rose 5.7% from RM553.4 million to RM585.0 million due to:

- (i) earlier sell-in for Chinese New Year; driven by higher sales for beverages;
 - (ii) launch of new products and new pack types;
 - Sunkist Pure Juice Drink in 2 variants - Orange and Lemon Apple;
 - Squeeze Tube in 2 new local flavours - Gula Melaka and Pandan;
 - F&N Sparkling Water Classic and 2 refreshing flavours (Lemon and Grapefruit);
 - F&N Classic recipes – F&N Orange Crush and Sarsi in portion-controlled pack size; and
 - (iii) double-digit growth in export revenue arising from growth in Africa, ASEAN and Greater China markets;
- offset by higher discount in the canned milk segment due to competition and adverse impact of monsoon and flooding on East Coast sales.

F&B Malaysia operating profit declined by 7.2% from RM52.5 million to RM48.7 million mainly attributed to:

- (i) earlier phasing of marketing activations for the festive season and higher marketing expenses incurred for the launch of new products;
- (ii) higher input costs for raw materials such as skimmed milk powder; and
- (iii) increase in warehouse and freight charges to support higher production/sales volume.

• F&B Thailand

F&B Thailand revenue rose 15.2% (+6.1% in Thai Baht terms) from RM456.5 million to RM525.9 million, driven by:

- (i) successful customer loyalty programme and hawker installation initiatives nationwide;
- (ii) wider outlet coverage;
- (iii) launch of a new variant for TEAPOT tube in Matcha flavour, CARNATION and TEAPOT evaporated milk in 1 kg pouch and new milk tablet product; F&N MAGNOLIA Milkies; and
- (iv) aided by favourable RM/THB forex translation.

On the back of higher revenue, operating profit for F&B Thailand rose by 11.7% (+2.9% in Thai Baht terms) from RM99.3 million to RM110.9 million mainly due to:

- (i) higher Thailand domestic sales; and
 - (ii) favourable input costs from a stronger Thai Baht;
- offset by higher marketing and trade spending for launch of new products and phasing of marketing activations.

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

2. Comment on material change in Group profit before tax for the quarter ended 31 December 2019 vs preceding 4th quarter ended 30 September 2019

Current quarter Group revenue grew by 14.0% to RM1,111.1 million (4th quarter FY2019: RM975.1 million). Group profit before tax correspondingly rose by 82.4% to RM160.6 million (4th quarter FY2019: RM89.5 million).

- F&B Malaysia

F&B Malaysia revenue grew by 17.4% to RM585.0 million (4th quarter FY2019: RM498.3 million) and operating profit increased by 75.8% to RM48.7 million (4th quarter FY2019: RM27.7 million) mainly due to higher sales for Chinese New Year festive season.

- F&B Thailand

F&B Thailand revenue increased by 10.6% (+9.0% in Thai Baht terms) to RM525.9 million (4th quarter FY2019: RM475.5 million) due to marketing activations for loyalty programs in the current quarter.

Correspondingly, F&B Thailand operating profit grew by 83.1% (+89.3% in Thai Baht terms) to RM110.9 million (4th quarter FY2019: RM60.6 million) mainly due to lower repairs and maintenance and lower marketing spending compared to previous quarter. There was higher investment in brand spending and new product launches and relaunches in the previous quarter.

3. Prospects

In Malaysia, we expect general consumer sentiment to remain weak. Riding on our successful new product offerings launched last year and those planned this year, we believe our beverages segment should do better. However, we expect continuous competitive pressures in the dairies segment. To expand our presence on e-commerce, we have launched our online shop, F&N Life, to offer convenience and value to our Malaysian consumers. We will continue our relentless focus on Excellence in Execution in route-to-market initiatives to ensure we capture opportunities in every market and every channel. We will also be introducing more new product offerings to increase our presence in healthier categories and to further underline our leadership in our core categories. We will also sharpen our commercial execution in preparation for 2020 Hari Raya festive sales.

In Thailand, we expect some headwinds for the domestic economy. However, we believe the strong foundation that we have laid in the past, coupled with investment in brand and new product launches will help to drive our organic growth in F&B Thailand in the domestic market, Cambodia and Laos. With the approval of Board of Investment tax incentives for our new capex in Thailand, we are also expecting lower effective tax rate for our Thailand operations for this year.

The ongoing coronavirus outbreak has created uncertainties in the global economy. Our newly established subsidiary in Dubai, F&N MENA, will help to increase and deepen our presence in Middle East and North Africa region. We will leverage on our manufacturing capabilities to expand our range of product offerings to our export customers while we expand into overseas e-commerce sales channel.

Raw and packaging material prices are expected to remain volatile. Certain dairies input prices have risen since last year. Our policy to hedge a portion of our requirements ahead for the financial year will mitigate the impact while we also actively and constantly implement cost savings projects.

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

4. Profit forecast or profit guarantee

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

5. Tax expense

The details of the tax expense are as follows:

RM'000	1 st quarter	
	31/12/2019	31/12/2018
Current income tax	29,795	26,209
Deferred tax – origination and reversal of temporary differences (Over)/Under provision in respect of previous years	1,984	4,917
- Income tax	(10)	-
- Deferred tax	472	79
	<u>32,241</u>	<u>31,205</u>

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

RM'000	1 st quarter	
	31/12/2019	31/12/2018
Profit before tax	<u>160,597</u>	<u>154,058</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	38,543	36,974
Effect of tax rates in foreign jurisdictions	(5,119)	(4,585)
Tax exempt income	(2,717)	(1,717)
Non-deductible expenses charged	1,058	475
Deferred tax assets recognised	-	(121)
Under provision of income and deferred tax in prior years	462	79
Foreign withholding tax	425	187
Share of results of an associate	(427)	(454)
Share of results of a joint venture	16	367
Total income tax expense	<u>32,241</u>	<u>31,205</u>
Effective income tax rate	<u>20.1%</u>	<u>20.3%</u>

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

6. Status of corporate proposals

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

7. Loans and borrowings

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

RM'000	<u>Currency</u>	<u>31/12/2019</u>	<u>30/09/2019</u>
<u>Non-current (unsecured)</u>			
Term loan	THB	82,135	95,909
<u>Current (unsecured)</u>			
Term loan	THB	27,378	27,402
		<u>109,513</u>	<u>123,311</u>

Commercial Paper ("CP")/Medium Term Note ("MTN")

A subsidiary of the Company, F&N Capital Sdn Bhd ("the Issuer"), is able to issue up to RM750,000,000 in nominal value under each of the CP and the MTN programmes respectively, which are unconditionally and irrevocably guaranteed by the Company. The CP has a tenure of seven (7) years from the first issue date of the CP under the CP Programme whilst the MTN has a tenure of fifteen (15) years from the first issue date under the MTN Programme.

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

Term loan

On 6 June 2018, a subsidiary of the Company, F&N Dairies (Thailand) Limited ("FNDDT"), was granted term loan of THB 1,000,000,000 with the tenure of three (3) years from the issued date and interest rate of 2.44% per annum. As at 31 December 2019, the outstanding balance for the term loan amounted to Thai Baht 800,000,000 (2019: Thai Baht 900,000,000).

8. Material litigation

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

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

9. Dividend

A final single tier dividend of 33.0 sen per share (2018: 30.5 sen per share) for financial year ended 30 September 2019 was approved by shareholders at the Annual General Meeting of the Company on 20 January 2020. This dividend amounting to approximately RM121.0 million is payable on 13 February 2020 (entitlement date for the dividend is 23 January 2020).

10. Earnings per ordinary share (EPS)

(a) The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1 st quarter	
	<u>31/12/2019</u>	<u>31/12/2018</u>
Profit for the year attributed to owners of the Company (RM'000)	<u>128,365</u>	<u>122,862</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>366,453</u>	<u>366,351</u>
Basic earnings per ordinary share (sen)	<u>35.0</u>	<u>33.5</u>

(b) The calculation of diluted earnings per ordinary share at 31 December 2019 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	1 st quarter	
	<u>31/12/2019</u>	<u>31/12/2018</u>
Profit for the year attributed to owners of the Company (RM'000)	<u>128,365</u>	<u>122,862</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,453	366,351
Adjustments pursuant to the SGP ('000)	<u>1,009</u>	<u>1,059</u>
Adjusted weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	<u>367,462</u>	<u>367,410</u>
Diluted earnings per ordinary share (sen)	<u>34.9</u>	<u>33.4</u>

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

11. Notes to the Condensed Consolidated Income Statement

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

RM'000	1 st quarter	
	31/12/2019	31/12/2018
(a) Depreciation of property, plant and equipment and amortisation of intangible assets	26,758	25,284
(b) Depreciation of right-of-use assets	6,131	-
(c) Net reversal of impairment loss on property, plant and equipment	(9)	(29)
(d) Net impairment loss (reversed)/charged on receivables	(1)	131
(e) Bad debts recovered	-	-
(f) Bad debts written off	-	-
(g) Net inventories written down/(reversal of inventories written down)	1,245	(5)
(h) Inventories written off	586	1,275
(i) Net loss on disposal/write-offs of property, plant and equipment	219	180
(j) Net loss/(gain) on foreign exchange	1,141	(305)
(k) Net fair value loss on derivatives	351	389

12. Outstanding derivatives

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

	31/12/2019		30/09/2019	
	Notional value	Fair value RM'000	Notional value	Fair value RM'000
Forward foreign exchange contracts (less than 1 year)				
USD ('000)	9,641	(491)	2,400	(49)
AUD ('000)	2,366	10	2,042	(81)
		<u>(481)</u>		<u>(130)</u>

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

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

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

During the current quarter, the Group recognised a total net loss of RM351,000 (2019: RM389,000) in the consolidated income statement arising from the fair value changes on the foreign exchange contracts which are marked-to-market as at 31 December 2019.