



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

Level 8, F&N Point,
No. 3 Jalan Metro Pudu 1,
Fraser Business Park, Off Jalan Yew,
55100 Kuala Lumpur, Malaysia
Tel: 03-92352288 Fax: 03-92227878

For immediate release

QUARTERLY FINANCIAL REPORT
Second Quarter Ended 31st March 2016

The Directors are pleased to release the unaudited quarterly financial report for the quarter and six months ended 31 March 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
4 May 2016

Schedule A : Unaudited Condensed Consolidated Income Statement

For the quarter and six months ended 31 March 2016

RM'000	Individual 2 nd quarter			Cumulative 2 nd quarter		
	31/03/2016	31/03/2015	% chg	31/03/2016	31/03/2015	% chg
Revenue	999,167	939,885	6.3%	2,052,468	1,976,210	3.9%
Cost of sales	(647,202)	(649,573)		(1,345,049)	(1,383,294)	
Gross profit	351,965	290,312	21.2%	707,419	592,916	19.3%
Other income	(530)	441		29,637	2,373	
Operating expenses	(247,301)	(205,868)		(462,976)	(429,568)	
Operating profit	104,134	84,885	22.7%	274,080	165,721	65.4%
Interest expense	(3,718)	(4,014)		(6,830)	(7,884)	
Interest income	4,603	3,330		7,998	6,676	
Share of results of a joint venture [#]	(286)	(324)		(460)	(539)	
Share of results of an associate [^]	2,879	2,677		4,665	3,824	
Profit before tax (PBT)	107,612	86,554	24.3%	279,453	167,798	66.5%
Taxation (<i>Schedule G, Note 5</i>)	(17,043)	(16,065)		(37,222)	(27,374)	
Profit after tax (PAT)	90,569	70,489	28.5%	242,231	140,424	72.5%
Attributable to:						
Equity holders of the Company	90,570	70,490	28.5%	242,232	140,425	72.5%
Non-controlling interests	(1)	(1)		(1)	(1)	
Profit after tax	90,569	70,489		242,231	140,424	
Basic earnings per share (sen) attributable to equity holders of the Company	24.7	19.3	28.0%	66.2	38.4	72.4%
Diluted earnings per share (sen) attributable to equity holders of the Company	24.7	19.2	28.6%	66.1	38.4	72.1%

[#] 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 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 December 2015 dated 25 February 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 six months ended 31 March 2016

RM'000	Individual 2 nd quarter			Cumulative 2 nd quarter		
	31/03/2016	31/03/2015	% chg	31/03/2016	31/03/2015	% chg
Profit after tax	90,569	70,489	28.5%	242,231	140,424	72.5%
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	(30,067)	27,326		(48,470)	49,728	
<i>Item that is reclassified to profit or loss</i>						
Exchange differences on settlement of a net investment	-	-		(33,118)	-	
	(30,067)	27,326		(81,588)	49,728	
Total comprehensive income	60,502	97,815	-38.1%	160,643	190,152	-15.5%
Total comprehensive income attributable to:						
Equity holders of the Company	60,503	97,816		160,644	190,153	
Non-controlling interests	(1)	(1)		(1)	(1)	
	60,502	97,815	-38.1%	160,643	190,152	-15.5%

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 31 March 2016

RM'000	31/03/2016	30/09/2015
Non-current assets		
Property, plant and equipment	1,037,630	1,064,821
Investment properties	50,763	50,763
Properties held for development	55,313	55,291
Investment in a joint venture <i>(Schedule F, Note 8)</i>	82,638	80,196
Investment in an associate <i>(Schedule F, Note 9)</i>	73,654	72,410
Intangible assets	128,008	131,155
Deferred tax assets	40,650	49,330
	1,468,656	1,503,966
Current assets		
Inventories	561,796	542,775
Receivables	590,233	562,042
Tax recoverable	-	14
Cash and short term deposits	461,258	412,209
	1,613,287	1,517,040
Total assets	3,081,943	3,021,006
Equity		
Share capital and reserves	1,911,025	1,876,803
Non-controlling interests	203	204
Total equity	1,911,228	1,877,007
Non-current liabilities		
Borrowings	382,078	300,000
Provision for retirement benefits	38,816	37,937
Deferred tax liabilities	31,665	32,682
	452,559	370,619
Current liabilities		
Payables	662,730	753,291
Provisions	7,032	7,925
Borrowings	27,359	-
Provision for taxation	21,035	12,164
	718,156	773,380
Total liabilities	1,170,715	1,143,999
Total equity and liabilities	3,081,943	3,021,006
Net assets per share (RM) attributable to equity holders of the Company	5.21	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 six months ended 31 March 2016

RM'000	Cumulative 2 nd quarter	
	31/03/2016	31/03/2015 (Restated)
Operating activities		
Profit before tax	279,453	167,798
Add non-cash items:		
- Depreciation and amortisation	47,733	45,229
- Impairment of property, plant and equipment	6	539
- Impairment loss on receivables	105	904
- Inventories written down	1,295	3,454
- Inventories written off	5,939	5,440
- Bad debts recovered	(22)	(85)
- Share-based payment transactions expense	4,285	* 3,461
- Property, plant and equipment written off	369	* 1,327
- Net loss on disposal of property, plant and equipment	109	* 324
- Net fair value loss on derivatives	6,910	* 1,089
- Interest expense	6,830	7,884
- Interest income	(7,998)	(6,676)
- Share of results of a joint venture	460	539
- Share of results of an associate	(4,665)	(3,824)
- Others	(1,239)	* 456
Changes in working capital #	(149,888)	(118,169)
Insurance claim received	954	-
Tax paid	(20,969)	(21,753)
Net cash flows generated from operating activities	169,667	87,937
Investing activities		
Interest received	4,660	3,768
Dividend received	1,555	2,333
Proceeds from disposal of property, plant and equipment	266	490
Purchase of property, plant and equipment	(52,281)	(43,983)
Purchase of intangible assets	(131)	(218)
Net cash flows used in investing activities	(45,931)	(37,610)
Financing activities		
Interest paid	(5,997)	(7,995)
Dividend paid	(130,122)	(120,801)
Net movement in borrowings	109,437	50,000
Purchase of shares by Share Grant Plan ("SGP") Trust	(2,497)	-
Proceeds from the exercise of the Executives' Share Options Scheme ("ESOS")	1,912	5,498
Net cash flows used in financing activities	(27,267)	(73,298)
Net increase/(decrease) in cash and cash equivalents	96,469	(22,971)
Effects of foreign exchange rate changes	(44,354)	20,088
Cash and cash equivalents at beginning of year	409,143	365,387
Cash and cash equivalents at end of quarter	461,258	362,504

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

For the six months ended 31 March 2016

RM'000	Cumulative 2 nd quarter	
	31/03/2016	31/03/2015 (Restated)
Cash and cash equivalents comprise:		
Cash and bank balances	208,579	174,887
Short term deposits with licensed banks	252,679	187,617
Cash and short term deposits	461,258	362,504
Deposits with a licensed bank with a maturity period of more than 3 months	-	-
	461,258	362,504

Included the interest amounting to RM2,902,000 (2015: RM2,512,000) accrued on loan to a joint venture.

* The comparatives for the six months ended 31 March 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 six months ended 31 March 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	-	-	-	-	-	(81,588)	-	-	242,232	160,644	(1)	160,643
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	-	-	-	(2,497)	-	-	-	-	-	(2,497)	-	(2,497)
Employee share-based payment expense	-	-	-	-	-	-	4,285	-	-	4,285	-	4,285
Dividend paid	-	-	-	-	-	-	-	-	(130,122)	(130,122)	-	(130,122)
Total transactions with owners	132	2,087	-	5,248	(607)	-	(3,160)	-	(130,122)	(126,422)	-	(126,422)
At 31 March 2016	366,779	449,991	(1,716)	(2,485)	(797)	16,175	10,125	9,934	1,063,019	1,911,025	203	1,911,228
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
Dividend 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

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 4 May 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*

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 31 March 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	31/03/2016	30/09/2015
Unquoted shares, at cost	500	500
Share of post-acquisition reserves	(5,604)	(5,144)
	(5,104)	(4,644)
Shareholder's loan	124,820	124,820
Interest on shareholder's loan	18,214	15,312
	137,930	135,488
Less: Unrealised profit	(55,292)	(55,292)
	82,638	80,196

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Total assets	277,999		277,999	273,595
Total liabilities	(288,226)		(288,226)	(282,902)
Revenue	-	-	-	-
Loss	(572)	(646)	(920)	(1,077)

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

9. Investment in an associate

RM'000	31/03/2016	30/09/2015
Quoted shares at cost	68,727	68,727
Share of post-acquisition reserves	31,249	26,584
Dividend received	(26,322)	(22,901)
	<u>73,654</u>	<u>72,410</u>
Fair value of investment in an associate for which there is published price quotation	<u>143,086</u>	<u>114,314</u>

The summarised financial information of the associate is as follows:

RM'000	31/03/2016	30/09/2015
Total assets ^	251,106	279,221
Total liabilities ^	(48,426)	(49,517)

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Revenue ^	73,319	72,650	132,235	136,432
Profit ^	<u>10,590</u>	<u>9,846</u>	<u>17,160</u>	<u>14,066</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 December 2015 dated 25 February 2016.

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 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 year ended 30 September 2015 was paid on 4 February 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	Food and Beverages Thailand	Property	Others	Total
<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>2nd quarter - 31/03/2015</u>					
Total revenue	582,775	364,525	1,110	17,553	965,963
Inter-segment	(36)	(8,293)	(487)	(17,262)	(26,078)
External	582,739	356,232	623	291	939,885
<u>1st quarter - 31/12/2015</u>					
Total revenue	643,857	414,865	1,095	25,791	1,085,608
Inter-segment	(3,604)	(2,740)	(842)	(25,121)	(32,307)
External	640,253	412,125	253	670	1,053,301
<u>Cumulative 2nd quarter - 31/03/2016</u>					
Total revenue	1,275,418	785,092	2,295	54,372	2,117,177
Inter-segment	(3,639)	(5,102)	(1,830)	(54,138)	(64,709)
External	1,271,779	779,990	465	234	2,052,468
<u>Cumulative 2nd quarter - 31/03/2015</u>					
Total revenue	1,260,454	728,912	2,245	35,864	2,027,475
Inter-segment	(65)	(14,201)	(1,459)	(35,540)	(51,265)
External	1,260,389	714,711	786	324	1,976,210

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>31/03/2016</u>	<u>30/09/2015</u>
Food and Beverages Malaysia	1,562,646	1,538,526
Food and Beverages Thailand	689,000	688,347
Property	118,053	118,255
Others	54,044	61,733
	<u>2,423,743</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>31/03/2016</u>	<u>30/09/2015</u>
Food and Beverages Malaysia	471,808	515,961
Food and Beverages Thailand	216,509	258,938
Property	914	1,417
Others	19,347	22,837
	<u>708,578</u>	<u>799,153</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	
	<u>31/03/2016</u>	<u>31/03/2015</u>	<u>31/03/2016</u>	<u>31/03/2015</u>
Acquisitions (cost)	13,709	29,499	52,412	44,201
Disposals/write-offs (net carrying amount)	506	1,428	744	2,141
Net loss on disposals/write-offs	<u>289</u>	<u>1,157</u>	<u>478</u>	<u>1,651</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 31 March 2016, the Group held foreign currency forward contracts carried at fair value of approximately RM1,237,000 (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>31/03/2016</u>	<u>30/09/2015</u>
<u>Property, plant and equipment</u>		
Contracted but not provided for:		
- Building	155	4,005
- Machinery and equipment	79,605	39,548
- Others	7,314	887
	<u>87,074</u>	<u>44,440</u>
Authorised but not contracted for:		
- Building	62,283	58
- Machinery and equipment	165,757	37,809
- Others	2,511	1,724
	<u>230,551</u>	<u>39,591</u>
	<u><u>317,625</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>31/03/2016</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	11,431	11,617
- Later than 1 year and not later than 5 years	24,872	27,647
- Later than 5 years	1,005	1,170
	<u>37,308</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 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
<u>Fraser and Neave, Limited ("F&N Limited") Group</u>				
Sales	(60,672)	(38,826)	(120,267)	(90,340)
Rental income	(108)	(92)	(218)	(184)
Purchases	61,368	43,340	123,378	104,001
Royalties paid	13,914	11,634	28,930	25,914
Corporate charges paid	416	505	1,203	837
Other expenses paid	1	57	1	57
<u>Vacaron Company Sdn Bhd</u>				
Sales	-	(4)	(2)	(4)
Receipt of corporate service fees	(122)	(222)	(290)	(624)
Rental income	-	(27)	-	(54)
Interest income	(1,438)	(1,359)	(2,902)	(2,743)
<u>Cocoaland Holdings Berhad Group</u>				
Purchases	1,772	1,100	3,568	2,228
<u>Thai Beverage Public Company Limited Group</u>				
Sales	(146)	(96)	(342)	(194)
Purchases	2,111	(309)	4,149	1,547
Other expenses	6	-	6	-
<u>Berli Jucker Public Company Limited Group</u>				
Sales	(4)	(112)	(290)	(208)
Purchases	12,452	12,516	36,507	29,148
Other expenses	78	1	130	3
<u>Other related parties of TCC Group</u>				
Sales	(435)	(179)	(738)	(455)
Purchases	-	44	-	44
Management fees	825	684	1,159	975
Insurance premium paid	1,907	1,689	3,390	2,891
Other expenses	7	74	13	142
<u>Permodalan Nasional Berhad ("PNB") Group *</u>				
Sales	(19,781)	(18,013)	(37,855)	(38,764)
Purchases	4,056	12,226	17,663	25,317
Rental of equipment paid	438	506	1,061	950
Other expenses	93	95	139	198
<u>Compensation</u>				
Compensation of key management personnel of the Group				
Directors' fees	1,334	1,244	3,904	3,848
	609	594	623	610

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	31/03/2016	30/09/2015
<u>Amount due from related parties</u>		
F&N Limited Group	40,147	39,757
Vacaron Company Sdn Bhd	143,078	140,206
Cocoaland Holdings Berhad Group	1,866	10,502
Thai Beverage Public Company Limited Group	1,477	185
Berli Jucker Public Company Limited Group	-	210
Other related parties of TCC Group	192	35
PNB Group	12,896	13,877
<u>Amount due to related parties</u>		
F&N Limited Group	(32,056)	(41,973)
Cocoaland Holdings Berhad Group	(833)	(1,159)
Thai Beverage Public Company Limited Group	(853)	(1,556)
Berli Jucker Public Company Limited Group	(1,814)	(8,668)
Other related parties of TCC Group	(1,282)	(127)
PNB Group	(3,278)	(9,073)

* Permodalan Nasional Berhad ("PNB") is deemed a related party to FNHB by virtue of PNB holding 59,485,700 shares as of 31 March 2016 through Amanahraya Trustees Berhad, representing 16.23% equity interest in FNHB and having two nominee directors on the Board of FNHB.

22. Change in comparatives

The comparatives for the quarter and six months ended 31 March 2016 have been restated as follows:

RM'000	As previously stated	Adjustments (a)	As restated
<u>Statement of cash flows:</u>			
<u>For the six months ended 31 March 2015</u>			
Share-based payment transaction expenses	-	3,461	3,461
Property, plant and equipment written off	-	1,327	1,327
Net loss on disposal of property, plant and equipment	-	324	324
Net fair value loss on derivatives	-	1,089	1,089
Others	6,657	(6,201)	456

(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 31 March 2016 vs corresponding quarter ended 31 March 2015

Group current quarter turnover grew by 6.3% from RM939.9 million to RM999.2 million, whilst profit before tax increased substantially by 24.3% from RM86.6 million to RM107.6 million.

Food and Beverages Malaysia revenue grew by 8.4% from RM582.7 million to RM631.5 million compared with the corresponding quarter, driven mainly by higher sell-in of its core products stemming from well executed Chinese New Year festivity-driven consumer and trade marketing programs. Amongst the various festivity programs executed, the 100Plus gold-themed “prosperity” can promotion, in particular, was well received by consumers. However, it was noted that there were higher degree of discretionary spending behaviour by consumers (continuing post-Goods and Service Tax sentiment effect), resulting in higher trade discounting by competitors and impacting gross margins. Additionally, there were new competitors’ products offerings, thus increasing the local competitive landscape (with marginally higher advertising and promotion activities). Against these developments, Food and Beverages Malaysia will continue to widen and deepen its distribution network and trade presence, working effectively with their distributors and trade partners, and managing the sales mix.

Food and Beverage Malaysia operating profit, however increased by 26.5% from RM50.8 million to RM64.3 million on higher revenue contribution (though discounted by higher trade discounts and marginally higher brand advertising and promotion expenditure), continuing favourable milk based global commodity prices for its canned milk products and improved manufacturing efficiencies.

Food and Beverages Thailand revenue also grew by 3.3% from RM356.2 million to RM367.9 million building upon its strength in its increasing network and distribution points (particularly in the on-premise outlets), continuing strong branding programs and effective execution of trade and consumer marketing campaigns. Operating profit increased from RM34.1 million to RM41.2 million, due to higher volumes, favourable product mix, lower trade discounting, favourable milk based commodity prices, higher manufacturing efficiency along with favourable Thai Baht foreign currency conversion, though off-set by marginally higher brand building costs.

Others operating profit of RM10.8 million in corresponding quarter last year turn into an operating loss of RM1.4 million in current quarter mainly due to reassignment and reallocation in staff costs from the realignment of management structure and the movement of employees from one segment to another in line with the Group growth strategies.

Half year vs corresponding period last year

Group half year turnover grew by 3.9% from RM1,976.2 million to RM2,052.5 million, whilst profit before tax increased substantially by 66.5% from RM167.8 million to RM279.5 million.

Food and Beverages Malaysia revenue grew marginally by 0.9% from RM1,260.4 million to RM1,271.8 million compared with the corresponding period mainly due to the absence of contribution from Red Bull as a result of the termination of the exclusive marketing, distribution and sale of Red Bull energy drink in phases during the quarter ended 30 September 2015. Also, there was the impact of higher (inflationary) cost of living post Goods and Services Tax and various government subsidies removal that affected consumers’ discretionary spending behaviour.

The higher sell-in of its core products stemming from well executed Chinese New Year festivity-driven consumer and trade marketing programs helped to ease the impact of increased end-consumer related competitive pricing pressures in the trade, particularly during the Chinese New Year festive period. Operating profit increased by 39.5% from RM104.6 million to RM145.9 million on favourable product mix, favourable milk based global commodity prices for its canned milk products, lower (branding) advertising and promotion, East Coast flood insurance claim recovery, along with the absence of East Coast flood-related costs and provisions made in the corresponding period (RM4.1 million).

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

1. Operations review (cont'd)

Half year vs corresponding period last year (cont'd)

Food and Beverages Thailand revenue grew by 9.1% from RM714.7 million to RM780.0 million, with continuing higher (than market) demand for all its products along with favourable contribution from its newly launched UHT milk products. Distribution coverage continues to increase, supported by effective branding and consumer trade campaigns. Operating profit increased significantly from RM56.0 million to RM107.8 million, aided significantly by favourable milk based commodity prices, lower trade discounting, recovery of withholding tax on royalties paid in previous years (equivalent to RM8.5 million) and realised (continuing) manufacturing efficiencies along with favourable Thai Baht foreign currency conversion.

Others operating profit of RM23.7 million in corresponding period last year turn into an operating loss of RM12.9 million in the half year mainly due to an increase in staff costs from the realignment of management structure and the movement of employees from one segment to another in line with the Group growth strategies. The loss was partially mitigated by the realisation of the foreign exchange gain amounting to RM18.2 million on the early redemption of the zero coupon bond by F&N Dairies (Thailand) Limited.

2. Comment on material change in Group profit before tax for the quarter ended 31 March 2016 vs preceding 1st quarter ended 31 December 2015

Group revenue for the quarter was lower at RM999.2 million compared with RM1,053.3 million in the preceding quarter with Group profit before tax decreasing by 37.4% from RM171.8 million to RM107.6 million partly attributed to lower revenue, less favourable product sales and product mix, absence of realisation of the foreign exchange gain amounting to RM18.2 million on the early redemption of the zero coupon bond by F&N Dairies (Thailand) Limited and insurance claim along with other one-off cost reversals.

Food and Beverages Malaysia revenue for the current quarter decreased by RM8.7 million as a result of lower volume off-take (partly due to earlier sell-in of Chinese New Year stocks in December 2015), a less favourable sales mix and higher discounts extended. Consequently operating profit decreased from RM81.6 million to RM64.3 million on the back of lower revenue, less favourable sales mix along with the absence of East Coast flood insurance claims recovery.

Food and Beverage Thailand revenue and operating profit also declined from RM412.1 million to RM367.9 million and RM66.5 million to RM41.2 million respectively on the back of lower revenue contribution stemming from softer quarter on quarter domestic consumer demand.

Others operating loss improved from RM11.5 million to RM1.4 million mainly due to the realisation of the foreign exchange gain amounting to RM18.2 million from the early redemption of the zero coupon bond by F&N Dairies (Thailand) Limited in the first quarter and changes made to the subsequent management fees charged between the quarters.

3. Prospects

Consistent with the softening global economy and uncertainty, both the Malaysian and Thai governments have lowered their economic growth projections for calendar year 2016 despite the introduction of various stimulus measures.

In Malaysia, the after-effects of the one year old Goods and Services Tax implementation appear to be prolonged. There is an increase in competitors' offerings in differentiated packaging formats and portfolio expansion, thus increasing consumer choices. The Malaysian Ringgit, in particular, although having strengthened in this quarter against the US Dollar, may continue to be volatile. Nevertheless, in the short term, the Group has hedged its foreign currency requirements.

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

3. Prospects (cont'd)

In Thailand, the effect of El-Nino in its northern territories will inadvertently have an inflationary impact on the economy and would impact domestic demand. Therefore, the market is expected to continue seeing higher trade price competition and end consumer campaigns and programs which will impact contribution margins.

The Group will diligently monitor market and consumer dynamics with a view of adopting appropriate competitive strategies which will enable the Group to maintain and sustain its market leadership position and profitability in this challenging environment.

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 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Current income tax	12,738	10,832	30,383	23,559
Deferred tax – origination and reversal of temporary differences	5,001	4,907	7,329	3,439
Underprovision in respect of previous years				
- Income tax	(566)	(26)	(566)	(24)
- Deferred tax	(130)	352	76	400
	<u>17,043</u>	<u>16,065</u>	<u>37,222</u>	<u>27,374</u>

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

RM'000	Individual 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Profit before tax	<u>107,612</u>	<u>86,554</u>	<u>279,453</u>	<u>167,798</u>
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	25,827	21,639	67,069	41,950
Different tax rates in other countries	(1,972)	(1,508)	(5,051)	(3,374)
Effect of reduction in income tax rate on deferred tax	-	193	-	1,121
Income not subject to tax	(15,552)	(7,808)	(34,845)	(12,220)
Expenses not deductible for tax purposes	8,656	2,167	8,998	3,630
Utilisation of previously unrecognised tax losses	339	(358)	(171)	(754)
Deferred tax assets recognised	-	1,877	-	(2,900)
Deferred tax assets not recognised	1,089	-	2,553	-
Over provision in respect of previous years				
- Income tax	(566)	(26)	(566)	(24)
- Deferred tax	(130)	352	76	400
Share of results of a joint venture	68	81	110	135
Share of results of an associate	(691)	(669)	(1,120)	(956)
Others	(25)	125	169	366
Total income tax expense	<u>17,043</u>	<u>16,065</u>	<u>37,222</u>	<u>27,374</u>
Effective income tax rate	<u>15.8%</u>	<u>18.6%</u>	<u>13.3%</u>	<u>16.3%</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. Group borrowings and debt securities
 The details of the Group's borrowings are as follows:

RM'000	Currency	31/03/2016	30/09/2015
<u>Current</u>			
Term loan	THB	27,359	-
<u>Non-current</u>			
Medium term notes ("MTN")	RM	300,000	300,000
Term loan	THB	82,078	-
		382,078	300,000
		409,437	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. Proposed dividend
 The Directors are pleased to declare 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 will be paid on 15 June 2016.

The entitlement date for the above dividend shall be 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 2 nd quarter		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Group attributable profit to shareholders of the Company (RM'000)	<u>90,570</u>	<u>70,490</u>	<u>242,232</u>	<u>140,425</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,076	366,139	366,110	366,002
Basic earnings per share (sen)	24.7	19.3	66.2	38.4

- (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		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
Group attributable profit to shareholders of the Company (RM'000)	<u>90,570</u>	<u>70,490</u>	<u>242,232</u>	<u>140,425</u>
Weighted average number of ordinary shares net of treasury shares and shares held by SGP Trust ('000)	366,076	366,139	366,110	366,002
Adjustments pursuant to the ESOS/SGP ('000)	<u>242</u>	<u>79</u>	<u>196</u>	<u>102</u>
Adjusted weighted average number of ordinary shares net of treasury shares ('000)	<u>366,318</u>	<u>366,218</u>	<u>366,306</u>	<u>366,104</u>
Diluted earnings per share (sen)	24.7	19.2	66.1	38.4

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>31/03/2016</u>	<u>30/09/2015</u>
Total revenue reserve of the Company and its subsidiaries		
- Realised	1,019,639	941,135
- Unrealised	8,459	56,397
	<u>1,028,098</u>	<u>997,532</u>
Total share of accumulated losses from a joint venture		
- Realised	(7,260)	(6,672)
- Unrealised	1,656	1,528
	<u>(5,604)</u>	<u>(5,144)</u>
Total share of retained earnings from an associate		
- Realised	7,630	6,103
- Unrealised	(2,703)	(2,420)
	<u>4,927</u>	<u>3,683</u>
Consolidation adjustments	35,598	(45,162)
Total Group retained profits as per financial statements	<u>1,063,019</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 2 nd quarter		Cumulative 2 nd quarter	
	<u>31/03/2016</u>	<u>31/03/2015</u>	<u>31/03/2016</u>	<u>31/03/2015</u>
(a) Other income	635	(440)	(28,571)	(2,355)
(b) Depreciation and amortisation	23,728	22,726	47,733	45,229
(c) Impairment loss on property, plant and equipment	-	(2,161)	6	539
(d) Reversal of impairment loss on property, plant and equipment	(471)	(156)	(806)	(708)
(e) Impairment loss on receivables	99	(538)	105	904
(f) Reversal of impairment loss on receivables	(144)	-	(202)	(272)
(g) Bad debts written off	-	-	-	-
(h) Bad debts recovered	(1)	-	(22)	(85)
(i) Inventories written down	(90)	2,901	1,295	3,454
(j) Reversal of inventories written down	-	(296)	(3,795)	(296)
(k) Inventories written off	3,612	3,304	5,939	5,440
(l) Net loss on disposal/write offs of property, plant and equipment/intangible assets	289	1,157	478	1,651
(m) Impairment of other assets	-	-	-	-

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		Cumulative 2 nd quarter	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
(n) Foreign exchange (gain)/loss	1,933	1,500	(18,813)	(142)
(o) Net loss on forward foreign exchange contracts	2,741	494	6,910	1,089

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	31/03/2016	30/09/2015
Forward foreign exchange contracts (Less than 1 year)		
- Notional value	37,331	67,527
- Fair value	<u>(1,237)</u>	<u>5,713</u>

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 six months period ended 31 March 2016, the Group recognised a total net loss of RM6,910,000 (2015: RM1,089,000) 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 2016.